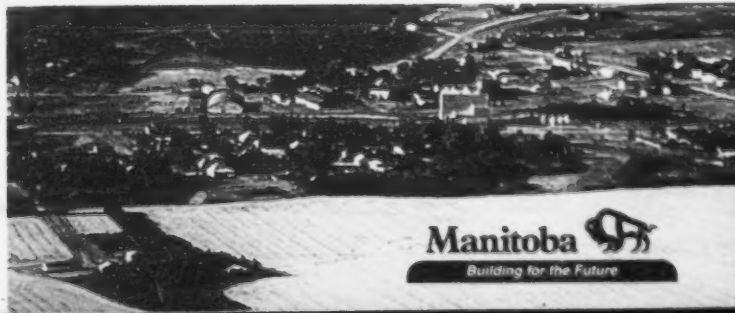




BUDGET SPEECH

MANITOBA BUDGET 2005

BALANCING PRIORITIES. BUILDING OPPORTUNITIES. INVESTING IN TOMORROW.



Manitoba 
Building for the Future





The 2005 Manitoba Budget Address

The Honourable Gregory F. Selinger
Minister of Finance
March 8, 2005

This document is
available on the Internet at:
<http://www.gov.mb.ca/finance>

Other information available at this site includes:

2005 Estimates of Expenditure
2005 Estimates of Revenue
The 2005 Manitoba Budget Papers
2005 Manitoba Advantage
2005 Addressing Poverty in Manitoba
Manitoba's Action Strategy for Economic Growth
the latest Quarterly Financial Report and
Highlights of Manitoba's Recent Economic Performance

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THE 2005 MANITOBA BUDGET ADDRESS

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THE BUDGET PAPERS (in one volume)

Budget Paper A - The Economy

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Budget Paper E - The Manitoba Advantage

Budget Paper F - Addressing Poverty in Manitoba

MANITOBA'S ACTION STRATEGY FOR ECONOMIC GROWTH



Mr. Speaker, today it gives me great pleasure to introduce Budget 2005: Balancing Priorities. Building Opportunities. Investing in Tomorrow.

Budget 2005 is built on four key pillars:

- paying down debt
- making strategic investments
- keeping our promises on tax reductions
- saving for our future

Budget 2005 reflects the growth and optimism Manitobans are experiencing. More young people are moving to our province, housing starts are up, employment and investment have reached record levels and earnings growth is among the best in Canada.

Mr. Speaker, this is not a record to rest on, but a record to build on. We need to balance our priorities, build opportunities for all our citizens and continue to invest in tomorrow. We want to ensure that Manitoba remains competitive and all communities benefit from our growth.

We recognize the setback cattle and ruminant producers are experiencing following the recent U.S. court decision to keep the American border closed. Through our ongoing commitment to the Repositioning the Livestock Industry Strategy, we will continue to support our producers. We will work closely with our provincial and federal counterparts and the U.S. government

to normalize trade and push for outcomes based on science.

Despite global economic pressures and the challenge of a high dollar, Manitoba is still growing. Investment in our province is projected to outperform the national average this year. Leading-edge sectors such as biotechnology and clean energy are maintaining a rapid rate of growth.

Budget 2005 is balanced. It maintains our policy of fiscal responsibility while continuing to grow the economy and keep Manitoba strong. It invests in the priorities of Manitobans: health, education, roads and water.

Reducing the Debt

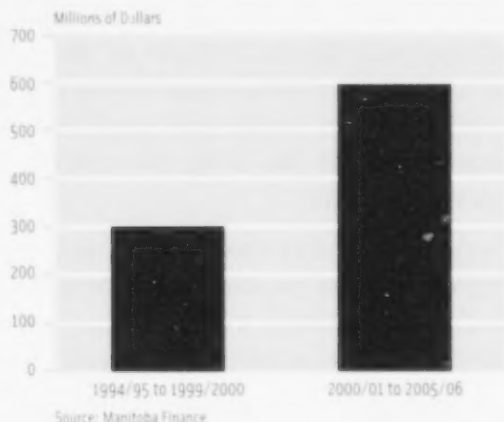
The first pillar of Budget 2005 is investing in tomorrow by keeping government affordable today. We have implemented a balanced and responsible fiscal plan without imposing health care premiums, without selling off public assets and without stepping back from promised tax reductions.

Mr. Speaker, I am proud to note that all our budgets have been balanced in accordance with Manitoba's balanced budget legislation. This is a promise we made to the people of Manitoba and it is a promise we have kept.

In 2001, for the first time, a Summary Budget was included as part of our budget presentation. The budget I am presenting today is balanced under both balanced budget legislation and summary financial statements.

We will continue to work with the Auditor General to fully implement Generally Accepted Accounting

Debt Retirement and Pension Liabilities Payments



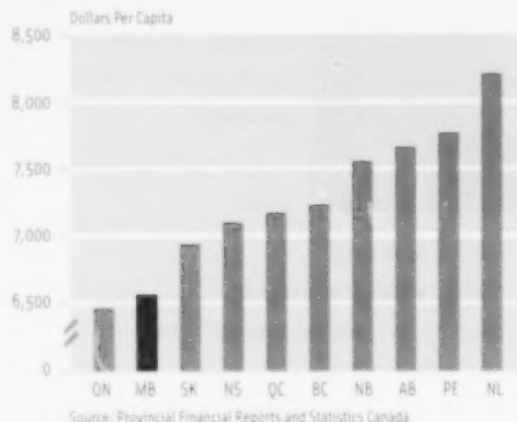
Principles (GAAP). In the 2007/08 fiscal year, the Summary Budget will become Manitoba's primary financial reporting tool,

Mr. Speaker, one of our first tasks after coming into office was to develop a plan to deal with the "monster" which was Manitoba's unfunded pension liability. A liability that, left unattended, would have swelled to \$8.4 billion by 2028.

This "monster" emerged in 1962, the year the Manitoba government stopped paying the employer portion of public pensions. It had been left to grow for almost 40 years, against a backdrop of silence. Mr. Speaker, we took action. In 2000, we introduced the first-ever plan to eliminate the liability.

In October 2002, we implemented the second part of our plan – matching the pension contributions of new employees from within existing resources.

Provincial Government Expenditure, 2004/05



Under our plan, the growth of the pension liability will be slowed and reversed. By 2032, it will be eliminated. If the Manitoba government had kept matching funds instead of stopping payments to the employer portion of the pension fund, our operating fund costs would be much lower today.

Mr. Speaker, tackling the public pension liability monster is part of a larger long-term strategy. In our first six budgets, including today's, we put a total of \$594 million into the Debt Retirement Fund to pay down general purpose debt and pension liabilities. This is the largest six-year payment in Manitoba history.

In 1999, the debt payment was \$75 million. In Budget 2005 we are increasing our debt payment from a budgeted \$96 million last year to \$110 million.

Since 1999, Manitoba's net general purpose debt-to-GDP ratio has been reduced by 20%. Our debt servicing

costs have fallen and we have earned Manitoba credit rating upgrades from Moody's Investors Service and Dominion Bond Rating Service. Overall, our provincial government ranks as the second-lowest spender per capita in Canada.

Our commitment to reducing the number of civil service positions is on track. To achieve efficiencies we are amalgamating administrative services into seven clusters and have reduced the number of health authorities from 13 to 11. A voluntary reduced work week for the public service saved \$2.4 million in 2004, and will be continued in 2005.

We have embarked on a civil service renewal strategy which will ensure that we are going to keep and attract the talent we need to deliver important government services. We are expanding the number of bilingual service centres to ensure our francophone community has better access to services.

Building Manitoba

The second pillar of Budget 2005 is investing in the priorities of Manitobans: accessible health care, cleaner water, quality education and better roads.

The infrastructure needs of Manitoba have become an issue of major concern and importance. In 1999, our government identified "infrastructure deficits" in a range of key areas, and we acted. We began a five-year program of strategic investments in health care and education facilities, water systems and flood protection, roads and highways, and municipal infrastructure.

Mr. Speaker, action has replaced the inaction of the 1990s when government promised, but never delivered, projects such as major hospital upgrades in Brandon and Winnipeg, and educational institutes at the University of Manitoba and Red River College.

Today, a new engineering and information technology building is under construction at the University of Manitoba. The downtown Red River College campus is open and bustling with students. Brandon Regional Health Centre is fully redeveloped and is home to the first MRI outside of Winnipeg. The more than \$100 million upgrade of the Health Sciences Centre – the single largest health infrastructure project in Manitoba history – is well underway.

We are building the facilities Manitobans need to compete and prosper in the 21st century. Budget 2005 is committed to accelerating this strategy with new investments in important infrastructure areas.

A key element of our strategy is revenue sharing with municipalities. Today, Manitoba is among the most generous provinces when it comes to municipal support.

Mr. Speaker, Budget 2005 increases our support for municipal infrastructure spending through the creation of a new Building Manitoba Fund.

Our new Building Manitoba Fund:

- provides \$86 million – equivalent to the income tax revenue shared under the former Provincial Municipal Tax Sharing (PMTS) agreement
- significantly increases transit operating grants for the cities of Winnipeg, Brandon, Thompson and Flin Flon for the first time in 10 years

- replaces flat transit and road grants with dynamic sharing based on three cents of provincial fuel taxes (a two-cent share of gas tax and a one-cent share of diesel tax) or \$32.7 million in 2005, \$4.7 million more than in 2004
- includes funding for roads in cities and municipalities

In total the fund will provide \$119 million to municipalities – an average increase of 8% over 2004.

Our plan means that municipalities will receive the equivalent of \$165 million in provincial fuel tax revenues over the next five years. It complements the federal government's initiative to share gas tax revenues with municipalities. We will consult with municipalities across Manitoba on the transparency and comparability of our municipal revenue-sharing program.

The Building Manitoba Fund will contain accountability features to ensure that new funding in Budget 2005 is targeted for upgrading water and sewer facilities, and roads and transit systems in keeping with Manitobans' priorities.

Growing Our Cities

The new investments in Budget 2005 will add to a strategic renewal of infrastructure underway in communities across Manitoba.

In Winnipeg, investments focus on the downtown revitalization, transportation and sewer system upgrades and flood protection.

Budget 2005 invests \$56 million in the Red River Floodway Expansion, to ensure that construction gets

underway this summer for scheduled completion in 2009.

This is the single largest infrastructure project in Winnipeg's history.

Important projects like the Kenaston Underpass and upgrades to Winnipeg's wastewater treatment plant, are proceeding.

Over the next six years, Manitoba will invest \$500 million on infrastructure projects in Winnipeg alone.

As promised, for the first time, we will begin sharing casino revenues with Winnipeg, starting with 5% in 2005, rising to 10% in 2006. In 2006, we will take steps on assessment costs to provide Winnipeg with comparable treatment to other municipalities.

Mr. Speaker, this is an unprecedented level of provincial support for our capital city.

We will increase the 15-year exemption from rent controls for new construction to 20 years in order to encourage further apartment development.

In Brandon we are pleased to be part of a \$15 million redevelopment of the Keystone Centre and to be making the largest single health care investment ever in Western Manitoba – the \$58 million redevelopment of the Brandon Regional Health Centre. In addition, Budget 2005 will contribute to:

- building a Wellness Centre at Brandon University
- full operating funding for Brandon's new MRI, and
- an expansion of surgical beds at the Brandon Regional Health Centre

MANITOBA SUPPORT FOR MUNICIPALITIES

Statistics Canada reports that the province of Manitoba provides the second-highest level of per capita funding support for municipalities in Canada.

The 2005 provincial budget builds on Manitoba's high level of provincial support with several new initiatives.

- The new "Building Manitoba Fund" provides \$119 million to Manitoba municipalities in 2005 by including the equivalent of Manitoba's income tax sharing agreement and expanding the funds available by the equivalent of three cents per litre from fuel taxes [two cents gasoline and one cent diesel].
- Over the next five years the Building Manitoba Fund will invest over \$600 million in Manitoba municipalities. This is in addition to the \$167 million in federal gas taxes pledged through the province's *Gas Tax Accountability Act*.
- Over all, municipal transit operating grants will increase 15%. This is the first significant increase in province-wide support in 10 years – giving needed new resources to Winnipeg, Brandon, Thompson and Flin Flon.
- A new Casino Revenue Sharing Agreement for public safety will fund 20 new police officers in Winnipeg. This doubles annual provincial support for Winnipeg policing to \$4 million in 2005. This agreement will provide 5% of casino revenues in 2005, rising to 10% in 2006.
- Unconditional VLT revenue grants to municipalities will increase by \$3.9 million in 2005 to be used for community development projects across the province. Manitoba and British Columbia are the only provinces to share gaming revenues with municipalities.
- Twenty new officers will be funded for rural and Northern policing, including one new police officer for the City of Brandon.
- Targeted ongoing annual support for municipal streets and roads will increase by 20% in Winnipeg and 15% outside Winnipeg.
- Over \$500 million in capital projects will be undertaken in Winnipeg over the next six years including such priorities as the Red River Floodway Expansion, Kenaston Underpass, and upgrades to Winnipeg's Waste Water Treatment Systems.
- Support for municipal water projects outside Winnipeg will increase by 4.6% through the Manitoba Water Services Board.
- Canada-Manitoba Infrastructure Programs will increase by \$4 million to fulfill a new generation of federal/provincial/municipal infrastructure agreements: the new \$123 million Manitoba Rural Infrastructure Fund and the new \$165 million Canada Strategic Infrastructure Fund.
- Provincial funding for municipalities through the Department of Intergovernmental Affairs and Trade will increase by 8% in 2005.

Working with Brandon on economic development has been a priority over the last five years. Together, we have supported Convergys, an in-bound call centre which now employs over 500 people, and helped secure the future of Shilo, home to the Second Battalion, Princess Patricia's Canadian Light Infantry and their families.

A new challenge will be the redevelopment of the Brandon Mental Health Centre site. A process is now in place to secure community input on redevelopment options. The province has committed its support to a new vision for the site.

Rural and Northern Manitoba

Continuing our commitment to better roads, Budget 2005 invests over \$145 million in the expansion, improvement and preservation of highways, a \$16 million increase in provincial spending from Budget 2004. This investment will result in almost \$700 million of highways infrastructure and preservation investments throughout the province, since we came into office.

We are pleased the federal government will begin to share a portion of gas tax with municipalities. Unfortunately, there are no similar gas tax investments to improve links with communities and export markets through highway infrastructure.

Highway infrastructure is important to Northern Manitoba. Since 1999, we have more than doubled the budget for winter roads. Budget 2005 continues to emphasize our northern strategy with major project

work on Highway 6, Provincial Road 391 and Highway 10 in Flin Flon.

Housing and transportation needs are a priority across Manitoba. Budget 2005 will support an expansion of ongoing programs to build, renovate and repair homes – with a particular emphasis on increasing affordable housing in our central urban neighbourhoods, rural Manitoba and the North.

Balancing Health Care Priorities

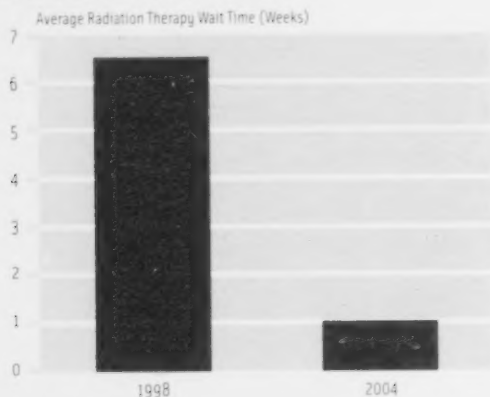
In September 2004, Canada's First Ministers unanimously signed a health care funding agreement which puts our health care system on a more sustainable and predictable path.

Over the course of the agreement, the reinstated federal funding means an increase in support equivalent to 3% of our government's health expenses.

Mr. Speaker, since 1999, we have been working to rebuild a seriously troubled health care system. We have reduced wait times for life-saving treatments, provided services closer to home, implemented new prevention initiatives and trained more health professionals.

Our efforts have attracted national attention. The Health Council of Canada's January 2005 report noted Manitoba's innovative ideas in health care, highlighting the Aboriginal midwifery program under development at University College of the North, our Telehealth network and our community health care facilities such as the Women's Health Clinic.

Cancer Treatment Wait Time



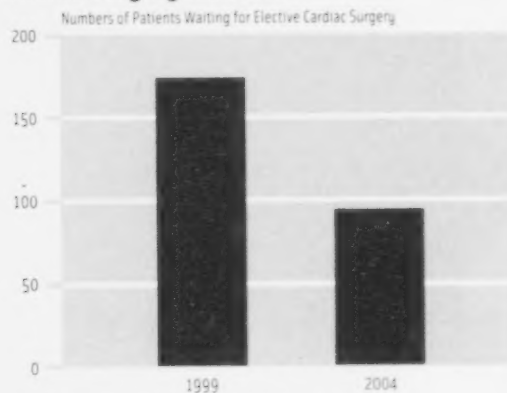
Source: CancerCare Manitoba

Reducing wait lists remains our number one health care priority. Over the past five years, Manitoba has seen a significant decrease in key wait times and increases in diagnostic testing.

- Since 1999, the wait list for cancer radiation treatment has gone from six weeks to one week.
- The number of Manitobans waiting for cardiac surgery has been cut in half.
- The number of CT scans in Manitoba has more than doubled while the number of MRI tests has more than tripled.

The reduction in key wait times has been a result of focusing on the health care priorities of Manitobans. Budget 2005 will continue to build on our wait list strategy by investing in an ambitious plan for hip and knee surgery.

Cardiac Surgery Wait List



Source: Winnipeg Regional Health Authority

Our vision for improved health care includes all of Manitoba. We opened the first MRI outside Winnipeg, in Brandon, last year. This Budget will fund further expansion of MRIs outside Winnipeg. Construction is underway for a new CT scanner in Portage la Prairie and the new dialysis treatment unit in Garden Hill is now operating.

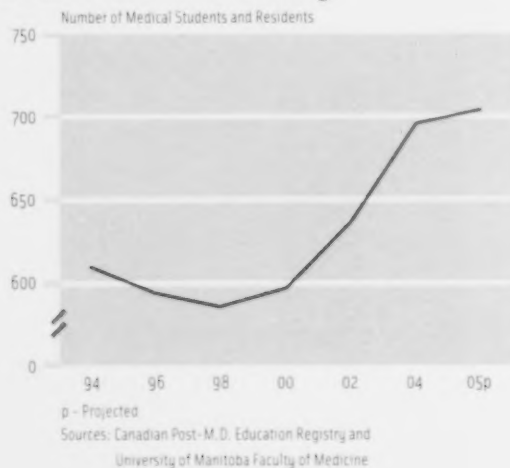
Mr. Speaker, since 2001 we have purchased 120 ambulances. I am pleased to note that Budget 2005 invests in 20 more new ambulances.

Budget 2005 will continue investing resources to move health care closer to home including:

- new and expanded community cancer care programs in Deloraine, Pinawa and Steinbach
- an expanded surgical program at Selkirk General Hospital
- orthopedic surgery at Boundary Trails Health Centre

2005

Manitoba Doctors in Training



- cataract surgery at Portage Hospital and the Pan Am Clinic
- pediatric dental surgery at Misericordia and the Beausejour Hospital

Mr. Speaker, new funding is one part of the solution for health care. Innovation and efficiencies are also part of the solution. We have begun creating centres of excellence, bringing together the top professionals and the latest medical technologies.

Our innovations include:

- two new state-of-the-art operating rooms at Concordia Hospital, Winnipeg's new centre of excellence in hip and knee surgery
- the largest health care capital project in Manitoba's history, modernizing the emergency and operating rooms at the Health Sciences Centre

- the new prostate cancer centre which focuses on treatment and prevention and fulfills a commitment we made to Manitobans in 1999
- providing funding for the Institute for Advanced Medicine (IAM), focusing on "surgeries of the future" such as minimally invasive surgery and computer-assisted surgery

Budget 2005 will increase:

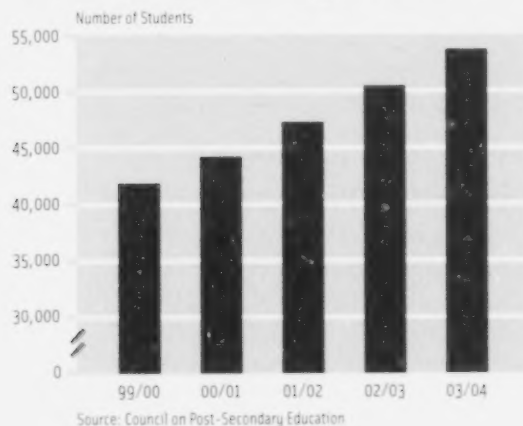
- the number of medical school spaces
- nursing education
- training for health care technologists and cross-training for technologists who work in rural communities
- support for home care

In the Speech from the Throne, our government launched a Diabetes Prevention Strategy, applying community health and prevention principles to fight a disease that is growing to epidemic proportions.

Mr. Speaker, healthy communities mean healthy citizens. Initiatives such as the new diabetes and chronic disease prevention program and the Healthy Kids, Healthy Futures Task Force promote healthy living. Budget 2005 provides \$3.6 million more to support healthy living initiatives.

Prescription drugs continue to be one of the fastest-growing costs in the health care system. In the absence of a national strategy, drug costs continue to outpace all other areas of health spending. Budget 2005 supports an increase of 16% in Pharmacare spending, and also increases deductibles between \$1 and \$5 per month for

Total College and University Enrolment



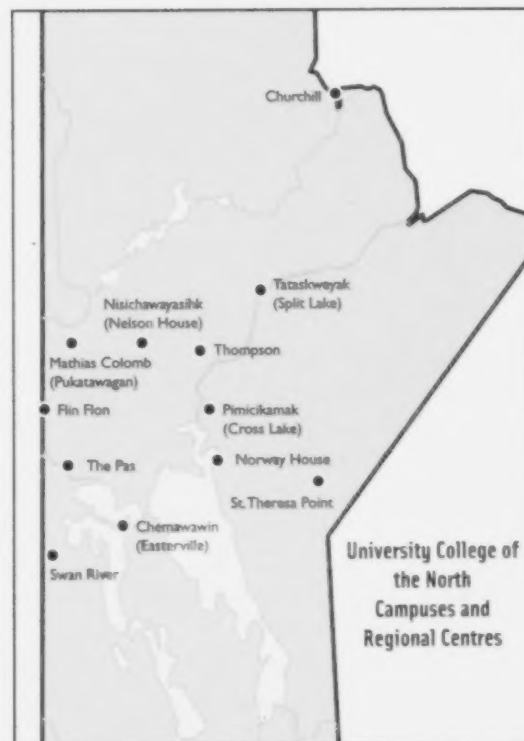
most Manitoba families. Since 1999, provincial funding for Pharmacare has more than doubled.

Quality Education

Our government has made education a top priority. To have a successful economic strategy you first need an education strategy.

We have supported an aggressive capital campaign to spur private investment for our universities, funded public education at the rate of economic growth and continued to phase out taxes on university property.

Mr. Speaker, in the last decade, the federal share of provincial spending on post-secondary education is roughly half what it used to be – declining from 15% in 1995/96 to just over 7% in 2004/05. Manitoba will work with other provinces to reverse these cuts in federal funding.

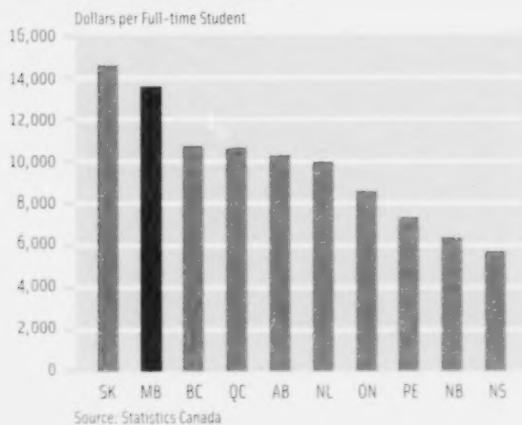


Budget 2005 reflects the commitments our government has made to:

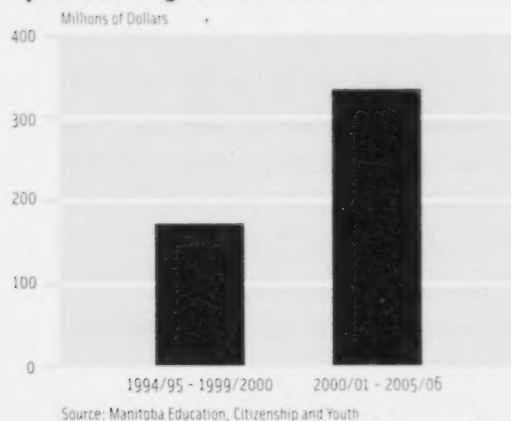
- increase post-secondary enrolment
- increase apprenticeship training
- provide specialized training in key knowledge-based sectors
- keep post-secondary education accessible and affordable for Manitobans no matter where they live

There are over 13,000 more students enrolled in Manitoba colleges and universities compared to 1999 – a one-third

Provincial Funding for Colleges and Universities, 2002/03



Capital Funding for Public Schools



increase. Projects like the completed Red River downtown campus, the Campus Manitoba program directed from Brandon and the two campuses and 10 regional centres of the University College of the North will work to expand post-secondary options, moving them closer to home.

Education and training initiatives for Aboriginal and northern residents are critical components of the Northern Development Strategy. We are making a major reinvestment to upgrade the Duke of Marlborough School in Churchill.

Budget 2005 enhances the Manitoba Student Loan Program, expands the Manitoba Bursary Program and doubles investment in the Manitoba Graduate Scholarship Program. Budget 2005 also maintains the tuition reduction.

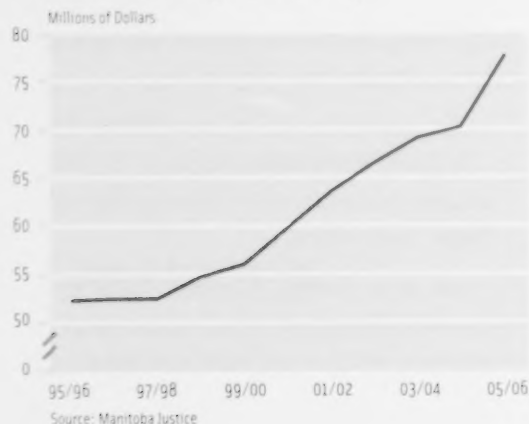
In 2004, we provided \$4.5 million over three years to strengthen technical-vocational education in Manitoba. Budget 2005 builds on our commitment by increasing funding for apprenticeship training and for the College Expansion Initiative.

Mr. Speaker, providing stable and predictable funding for Manitoba's public schools is an important investment in our children and youth.

Public school funding levels in 2005/06 will increase 2.8%. Since 1999, funding levels have increased by \$130 million.

Mr. Speaker, we are dedicating \$135 million over three years to school capital infrastructure. This brings our total funding to \$333 million since 2000, double the previous five-year period.

Provincial Funding for Policing



Budget 2005 commits new resources to support a community schools initiative.

Safer Communities

Mr. Speaker, reducing crime and increasing community involvement are important parts of keeping our communities safe and secure.

Feeling safe no matter where you live is important to all our citizens. That is why policing throughout Manitoba will be strengthened through the new and ongoing funding of 40 additional police officers to serve Winnipeg, Brandon, rural Manitoba and the North.

Partnerships with communities across the province have provided recreational, educational and social opportunities for youth at risk. Since 2000, we have supported the establishment of 34 after-school "Lighthouses" across Manitoba and will expand

this successful program by investing in four more "Lighthouse" locations in Budget 2005.

The province's strategy against organized crime is being significantly strengthened in areas such as innovative anti-gang legislation, gang prosecutions, and security intelligence. For example, legislation passed by our government has resulted in the closure of more than 90 drug dens, sniff and prostitution houses.

Budget 2005 provides a continuing commitment to supporting prosecution services. We will work with downtown organizations and agencies to proactively deal with street crime and dangerous offenders.

Manitobans can expect enhanced safety initiatives such as:

- new resources to combat domestic violence
- the development of a strategy to deal with illicit drug manufacturing
- an expansion of Aboriginal justice through Aboriginal policing, courts and probation services
- new resources to protect Manitobans from sexual predators and dangerous offenders
- a renewed focus on preventing auto theft

Manitoba's costs for delivering justice services, including legal aid, corrections and court services, continue to climb. To help offset these costs the justice services fee will be increased beginning April 1, 2005.

Water Protection, Natural Areas and Climate Change

Water is one of our most important natural resources. Water stewardship is a priority for Manitobans.

Budget 2005 builds on our commitment to Manitoba's water strategy. We are investing in several major initiatives, including increased funding for:

- promoting new standards under the new *Water Protection Act*
- flood proofing and protection
- ice jam and shoreline erosion mitigation
- sewer and water projects
- provincial drainage system maintenance and rehabilitation

The extension of the Riparian Tax Credit, sewage and septic field regulations, and a critical cross-border agreement with North Dakota and Minnesota to reduce nutrient loading by 10%, will contribute to our efforts to protect Lake Winnipeg and safeguard the integrity of all Manitoba waterways.

Partnering with communities across Manitoba has helped build sustainable environmental projects from the grassroots level. Since 1999, we have increased Conservation Districts in Manitoba from nine to 16. Budget 2005 will also invest more in Conservation Districts and watershed planning.

Mr. Speaker, following a decision by the Clean Environment Commission, we have supported the expansion and upgrading of sewage treatment facilities in Portage la Prairie and Lac du Bonnet, with current

upgrades for Garson/Tyndall, Winnipeg and Gimli. Acting on the recommendations of the Clean Environment Commission has resulted in higher standards for sewage treatment in Brandon and Portage la Prairie.

Since 1999, we have invested in water projects totaling over \$80 million, with clean water projects in 81 different communities and waste water treatment projects in 43 different communities.

Manitoba's Green Strategy is an umbrella for all our new green initiatives. It will help us work together with Manitobans on initiatives that protect our environment.

Manitobans have always enjoyed the outdoors and the opportunities our beautiful province has to offer. Budget 2005 gives Manitobans more opportunities for outdoor living by offering more cottage lots for sale and improving campgrounds. To accommodate a larger number of visitors, Budget 2005 increases funding for one of Manitoba's favourite parks, Birds Hill Provincial Park.

Through the Sustainable Development Innovations Fund, Manitobans are creating partnerships that improve our environment, economy, health and social well-being. Budget 2005 continues to provide resources to these important environmental and green initiatives.

This past year we:

- designated Manigotagan River as the province's newest provincial park
- created an ecological reserve for a rare river-bottom forest south of St. Adolphe
- took action to protect and preserve almost 80 acres of the Bois des Esprits in southeast Winnipeg

- committed to a proposal for a Boreal Forest region on the east side of Lake Winnipeg as a UNESCO World Heritage Site
- protected four new areas and added land to two existing parks
- provided \$600,000 for sustainable forest management and renewal

The Clean Energy Province

Manitoba continues to lead the way in developing clean and renewable energy.

A 99-megawatt wind turbine facility is now under construction at St. Leon. This project is injecting \$187 million into rural Manitoba and \$10 million in earnings to local land owners.

And this is only a beginning. Our government is examining plans that could see up to 1,000 megawatts of wind power developed over the next decade.

In 2005, we will see the final stages of pre-development for the Wuskwatim Hydro Dam. This project is a first of its kind, based on a full partnership with Nisichawayasihk Cree Nation.

Mr. Speaker, we were pleased to see that our strong statement of Manitoba's case has resulted in the federal government's commitment, in its 2005 budget, to invest in a national grid, linking clean energy markets to the east and west. We will move quickly to seize this opportunity which lays the foundation for the future development of Conawapa.

While we are working on new power generation options, our government, along with Manitoba Hydro, continues to free up power for export through energy-efficiency measures.

Since 2000, Manitoba Hydro's Power Smart program has saved more than 240 megawatts, enough energy to power Steinbach, Dauphin, Carman, Neepawa and Morden. Manitoba Hydro offers the best energy efficiency programming in Canada, according to the Canadian Energy Efficiency Alliance.

Efficiency Manitoba is a new agency that will co-ordinate the energy efficiency activities of Manitoba Hydro with the province's waste reduction programs such as recycling.

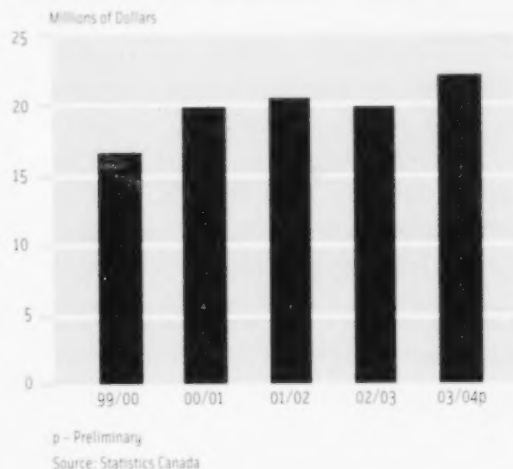
Manitoba is also leading the country in the installation of energy-efficient ground source heating pumps. While Manitoba represents less than 4% of Canada's population, it accounted for over 20% of the new heat pump installations in Canada last year.

Research and Innovation

Knowledge-based industries are at the forefront of future economic growth in Manitoba. Investments in research and innovation lead directly to productivity increases, resource conservation and a higher standard of living.

Through the Manitoba Research and Innovation Fund (MRIF) and its partners, projects like the Richardson Centre for Functional Foods and Nutraceuticals, and Manitoba Breast Cancer Research Centre are now operating. Budget 2005 builds on this success by increasing funding to MRIF.

Provincial Government Expenditure on Research and Development



Mr. Speaker, since 2002, revenues from Manitoba's biotechnology industry have grown by 76%. Ernst & Young's *Global Biotechnology Report 2004* stated that Manitoba has the fastest growing biotechnology industry in Canada. Canada West's February 2005 *The Best Places to do Business* stated that Winnipeg has 27% lower costs than Minneapolis in biomedical research and development.

The life sciences sector is one of the most intensive research and development sectors in Manitoba. An estimated 4,200 people are employed in this sector.

In 2004, we became home to the Canadian Centre for Disease Control and the new home to Canada's first Chief Public Health Officer.

Budget 2005 adds to our investments in innovation and research, providing:

- \$1 million for the Asper Research Centre
- an extension of the Manitoba Research and Innovation Fund to 2010
- \$1 million for the Centre for the Commercialization of Biomedical Technology at the National Research Council
- an increase in the University of Manitoba's research grant to support Manitoba's agriculture industry

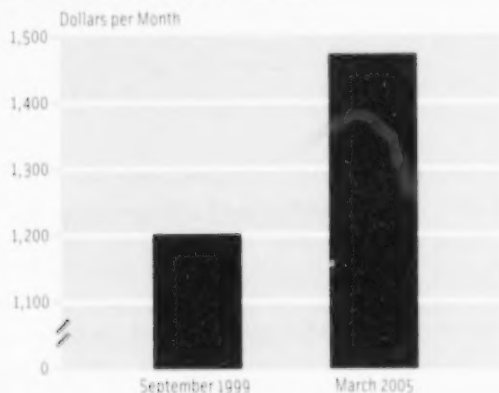
Putting People First

Mr. Speaker, today is International Women's Day. It is appropriate, therefore that Budget 2005 includes new resources to address many of the barriers that prevent women from achieving full equality. This year, increased resources will be devoted to family violence programs, maintenance enforcement, midwifery and critical family supports such as child care.

Manitoba's most valuable resource is its people. We have continued to make the kinds of investments that promote the safety, health, education and well-being of Manitobans.

Over the past five years, we have worked hard to forge strong partnerships among business, labour and government. Since changes were made in 2000 to *The Labour Relations Act*, the number of days lost to strikes and lockouts declined 60% and the injury rate has declined 19%.

Income Assistance Benefits, Single Parent - Two Children (Ages 4 and 10)



Source: Manitoba Family Services and Housing

Since taking office, we have increased the minimum wage by 21%. The latest increase, to \$7.25, will take effect April 1, 2005.

Regular increases to the minimum wage are one way to support Manitoba families. Other initiatives include:

- a low-tuition policy and new bursaries
- full restoration of the National Child Benefit Supplement
- community economic development initiatives such as SEED Winnipeg Inc.
- a targeted training strategy
- increased income assistance rates for the first time since 1992
- restoring funding for parent-child resource centres and coalitions across Manitoba

According to Statistics Canada, there were 32% fewer Manitobans on social assistance in 2003 than in the last five years – the lowest number in over a decade.

To protect thousands of Manitobans, we are preparing to introduce legislation in 2005 to address issues in the payday lending industry.

Our government has made Aboriginal participation in Manitoba's economy a priority. That is why programs are underway to ensure as many Aboriginal and Northern Manitobans as possible are qualified to work on planned capital projects such as the expansion of the Red River Floodway and northern generating stations.

The development of Aboriginal businesses is a fundamental requirement for achieving Aboriginal economic development. The Premier's Economic Advisory Council sponsored a summit on Aboriginal economic development in Manitoba. The Summit was a success and resulted in the creation of a new Aboriginal Chamber of Commerce, the first of its kind in Canada.

Mr. Speaker, quality child care is an integral part of supporting families.

In 2002 we announced the Five-Year Plan for Child Care – a made-in-Manitoba plan – developed in consultation with over 24,000 Manitobans. That plan commits to 5,000 funded spaces, increased wages and training opportunities, and increased subsidies.

The recent federal budget announced that Ottawa will join Manitoba in its strong commitment to child care, committing \$5 billion nationally over the next five years.

Although this budget does not reflect the federal contribution, once an agreement is reached, we will be committing all additional federal money for child care to the fulfillment of the five-year plan. This further investment will build upon one of the best child care systems in the country.

By prepaying support for Manitoba's child care system, we have made tremendous progress. Child care funding is up 64%, with an additional 3,500 funded spaces since 1999.

It has long been recognized that effective parenting is the single most important factor in laying a strong foundation during the early years of a child's life.

Mr. Speaker, Budget 2005 provides new funding for an internationally recognized program in support of parenting that we will unveil in the next few weeks.

This continues to build on our groundbreaking Healthy Child program with its focus on early childhood development.

Providing for our most vulnerable citizens, children and seniors, is an important part of Budget 2005.

In keeping with our government's goal of improving supported living for adults with mental disabilities, we have invested over \$17 million in Budget 2005 to expand community living supports. Since we came into office, the budget for the Supported Living Program has more than doubled, increasing by \$80 million.

Expansion of home care services and the construction of new personal care homes have increased residential options for those in need of care. New laws have been

passed to prevent fraud and elder abuse. Support for home security has been delivered directly through the Safety Aid program.

In 2005, legislative changes will be introduced to improve consumer protection for life-lease and condominium owners.

An important challenge for a growing province is making certain that all citizens can take advantage of what a vibrant economy offers. That is why we continue to address poverty in Manitoba.

For Manitobans, especially for those on lower and moderate incomes, our auto insurance, child care, and utility rates have resulted in the lowest cost of living in Canada.

Manitoba has among the lowest electricity rates in North America. To make certain that everyone receives fair and equal access to this important service, we passed legislation to equalize Northern, rural and urban electricity rates throughout Manitoba.

Low-income homeowners and renters have benefited from our increase in the Education Property Tax Credit, while our new family tax reduction and tax credit increases have resulted in more than 15,000 low-income Manitobans paying no income tax.

Budget 2005 continues these efforts with:

- \$3 million for a new Integrated Shelter Benefit Program
- a 20% increase to the Northern income assistance allowance to offset the high cost of healthy foods for Northern residents

We are also pleased to integrate BabyFirst and Early Start into a new and expanded Families First program. This new model recognizes challenges such as poverty, isolation and language barriers. Families First will improve access to home visiting services, strengthen parent-child relationships and improve outcomes for children.

Keeping Manitoba Competitive

The third pillar of Budget 2005 is keeping Manitoba competitive by supporting our businesses and industries through ongoing tax reductions.

Mr. Speaker, our economy is strong. Manitoba boasts a proud work ethic, a spirit of co-operation, a deep pool of entrepreneurial talent, and outstanding business leadership. This combination helps create the wealth that is the basis of our social and economic prosperity.

Balancing the priorities of Manitobans, building opportunities and investing in tomorrow all require an economic plan – a plan that is sustainable, equitable and long term.

We are continuing our seven-point Action Strategy for Economic Growth as recommended by the Premier's Economic Advisory Council. It is a vital framework that builds on our success, and is our guide to keeping our province strong and competitive.

One important component of our economic plan is the continued expansion of Manitoba's unique Provincial Nominee Program in reaching our goal of 10,000 new immigrants per year by 2006.

Manitoba's Action Strategy for Economic Growth

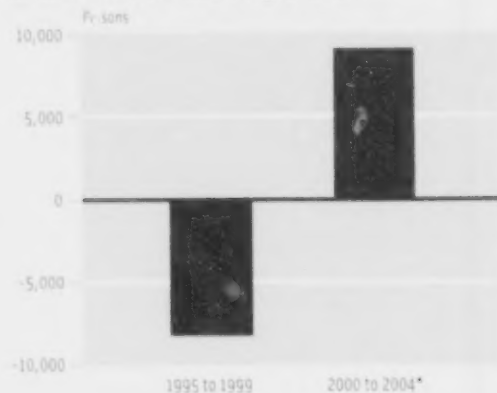
Manitoba's Action Strategy for Economic Growth is based on recommendations from the Premier's Economic Advisory Council (PEAC). This strategy, updated for 2005, has proven successful and continues to underpin Manitoba's approach to sustainable, equitable and long-term economic growth and competitiveness.

The Action Strategy's seven priorities are:

- education first
- building through research and innovation
- raising and retaining investment
- affordable government
- growing through immigration
- building our communities and
- building on our clean energy advantage

These priorities reinforce one another. Research and innovation require an educated workforce. Investment and immigrants are attracted to communities with affordable and effective government. Our energy advantage plays an important role in ensuring that economic development takes place in all parts of the province. This budget reflects the priorities of the Action Strategy, and continues to implement PEAC's recommendations.

Manitoba Total Net Migration



* 2004 only includes data from the first three quarters

Source: Statistics Canada

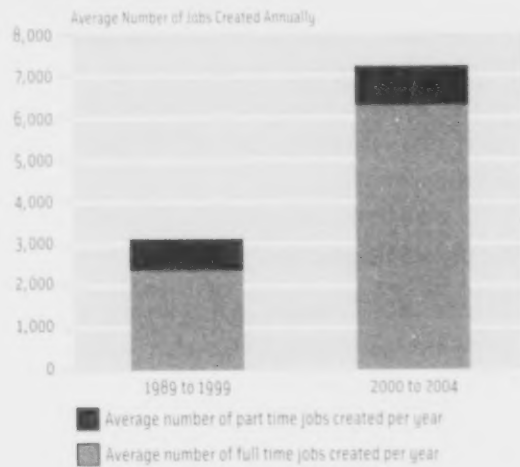
With input from the new Manitoba Immigration Council, we are working to expand the recognition of foreign credentials and degrees to enable more new Canadians to work in their trained professions.

Manitoba's arts and cultural scene is vibrant, diverse, and is a major part of our Manitoba Advantage. We take great pride in our festivals, exhibits, concerts and attractions that contribute to the quality of life in Manitoba.

Mr. Speaker, as the second-highest funder per capita of culture in Canada, we continue our commitment to this sector with a half-million-dollar increase for the Manitoba Arts Council in Budget 2005.

Investment in the cultural sector generated almost \$97 million of production in Manitoba's film industry last year. Manitoba is proud to be hosting the Canadian Juno Awards in April of this year.

Jobs Creation



Source: Statistics Canada

Our economic growth strategy is working. We achieved new record-high levels of employment and investment last year, and virtually all industries posted gains. There are other positive signs:

- Our population growth, including both international and interprovincial net migration, is the strongest in more than 20 years.
- More young people are making Manitoba home, with net youth migration of over 1,100 in 2004.
- Through aggressive promotion of Manitoba's many advantages, international immigration has been doubled since 1999.
- The number of jobs has grown on average 7,200 per year, twice the average of the previous decade.
- Housing starts are up 73% since 2000.
- Housing values are up 36% since 2000.

- Private capital investment has grown by \$1 billion since 1999 and is expected to increase further in 2005.

Mr. Speaker, low commodity prices and cross-border trade issues have continued to have a negative effect on Manitoba producers and the rural economy.

One important measure we took to help our producers remain competitive was accelerating the Farmland School Tax Rebate. Since December 2004, 23,000 cheques have been issued to Manitoba farmers.

In response to the continued closure of the U.S. border to our cattle and ruminant producers, in addition to existing programs, Budget 2005 provides \$2 million more from Rural Economic Development Initiatives to support capital investments in the processing sector.

Budget 2005 continues to support our entire farm industry with a \$2.2 million increase to the Canadian Agricultural Income Stabilization Program. While continuing support to the agri-food industry, we will also be increasing our activities in value-added production, including the organic food market. Budget 2005 will provide:

- new crop insurance for organic crops such as oats, flax and all wheat
- resources to develop an organic industry strategy
- an organic industry marketing specialist

To help continuously improve services in rural Manitoba, we are proposing legislation to amalgamate the Manitoba Agricultural Credit Corporation and the Manitoba Crop Insurance Corporation to create the Manitoba Agriculture Services Corporation.

For 2004, Manitoba Crop Insurance Corporation will pay Manitoba farmers between \$175 and \$200 million in insured claims for lost crop income. We will draw down \$90 million from a \$320 million reserve in the crop insurance corporation to offset these record crop insurance payments.

Mr. Speaker, we believe investing in Manitoba's North benefits the entire province. Our Northern Development Strategy promotes growth in the Northern economy while providing a greater quality of life for Northerners.

Programs like the Manitoba-Forintek partnership encourage forestry development as well as job creation and business development.

Mining in Northern Manitoba remains a major catalyst for Northern economic development. Mr. Speaker, applications under the Mineral Exploration Assistance Program show that over \$47 million in mineral exploration expenditures were proposed for 2004/05, an all-time high.

In Budget 2005, the Office of the Fire Commissioner will undertake a community-based education and training program for volunteer firefighters in Northern and remote communities to refresh the skills of volunteers who respond to emergencies in their communities.

Our Business Advantage

Budget 2005 recognizes Manitoba's strong entrepreneurial spirit. Our diverse economy, the ability of businesses and individuals to innovate, and our general can-do attitude make our province an attractive place to do business.

Mr. Speaker, there are many reasons businesses come here: a well-educated labour force, excellent transportation links, leading-edge telecommunications and information infrastructure, and – probably one of our greatest advantages – among the lowest electricity rates in North America. Our health care system also gives us a distinct business advantage.

A recent KPMG study concluded Manitoba is one of the best places to do business in North America. In fact, the study on comparative business costs rated Winnipeg as the third-best city in the Midwest – ahead of Calgary, Houston, Salt Lake City, and Phoenix.

Mr. Speaker, we know we must continue to take affordable steps to keep Manitoba attractive to business.

Since 1999, we have reduced business taxes by \$75 million. Today I am pleased to announce new tax reductions for Manitoba's businesses. When fully implemented, today's changes will mean an additional \$54 million in tax reductions for Manitoba businesses.

In 1999, Manitoba had the highest corporation income tax rate in Canada at 17%. We have reduced this rate in four stages to 15%, and we are announcing further rate cuts to 14.5% in 2006 and to 14% in 2007. This is an 18% cut since 1999 and a continuation of the first staged reduction of this tax since the Second World War.

The small business rate will also be reduced again. In 1999, this rate was 8% and the threshold was only \$200,000 in taxable income. Today, this rate is 5% and the income threshold is \$400,000.

Budget 2005 extends our five-year tax plan for small business. In 2006, the small business rate will fall to 4.5%, and again to 4% in 2007. We will have doubled the small business threshold and cut the tax rate in half. There has never been a better time for a small business to prosper.

Mr. Speaker, I am pleased to announce three new measures to assist export and research-focused businesses in Manitoba. Budget 2005:

- extends the Manufacturing Investment Tax Credit to include used equipment and property
- enhances the credit so that manufacturers can receive a portion of their investment back sooner, and
- increases the Research and Development Tax Credit from 15% to 20%

Budget 2005 will also extend, for another three years, the Co-operative Education Tax Credit, the Community Enterprise Development Tax Credit and the Equity Tax Credit. In addition, the Film and Video Production Tax Credit will be enhanced.

Lower Taxes for Manitoba Families

Mr. Speaker, we are committed to doing our part to keep Manitoba affordable for families.

One key focus has been tackling property taxes. In the 90s, property taxes rose significantly, while the property tax credit was reduced and the Education Support Levy on residential property remained untouched.

We reversed this trend in Budget 2000, when we began increasing the Education Property Tax Credit – a

two-stage approach that now saves taxpayers \$53 million annually.

Our next target was the Education Support Levy (ESL) on residential property – one of two school taxes on homeowners. We promised to phase out this tax, and we continue to keep that promise today with a further \$30 million reduction. Today's tax cut brings the total reduction in ESL on residential property to \$64 million annually.

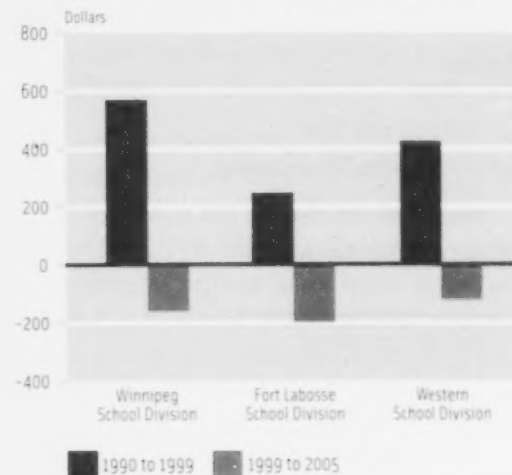
Mr. Speaker, this is significant property tax relief for homeowners. Today's new \$30 million ESL reduction will save the average family with a \$125,000 home approximately \$120 per year. In total, our annual reductions and credit increases means the average family with a \$125,000 home has saved \$1,425 in property taxes since 2001.

And Mr. Speaker, our action on property taxes does not end there. While agricultural producers have benefited from the increased credit as well as the reduction in the ESL, we also took three additional steps that exceeded our promises on tax cuts, including:

- lowering the taxable portion of farm property's assessed value, saving farmers \$7 million annually
- cutting school taxes on farmland by 33% by launching a rebate program in 2004, and
- reducing farmland education property taxes by 50% for 2005

In total, Manitoba families will pay \$142 million less in property taxes in 2005 than they would have, had we remained on the path pursued in the 1990s.

Change in Total Education Property Taxes for a House Assessed at \$125,000 in 2005



Note: Chart reflects the sum of changes in Special Levy, Education Support Levy and Education Property Tax Credits. The Special Levy mill rates for 2005 are preliminary.

Source: Manitoba Education, Citizenship and Youth

Mr. Speaker, today I am pleased to announce further reductions in personal income taxes. Since Budget 2000, we have exceeded our promises on reducing income taxes, and we are continuing with a plan of affordable reductions.

I am pleased to announce that January 1, 2006, the middle income bracket will fall from 14% to 13.5%, saving Manitobans \$24 million per year. This is a 19% reduction in the middle tax rate since 1999.

In addition, beginning January 1, 2006, the basic personal amount will rise by \$100. This measure will save Manitobans \$6 million and remove 2,000 low-income earners from the tax rolls.

Medium-Term Summary Budget Projection

	2004/ 2005f	2005/ 2006b	2006/ 2007p	2007/ 2008p ¹	2008/ 2009p ¹
Revenues	8,204	8,177	8,427	8,672	8,967
Expenditures	(7,791)	(8,064)	(8,343)	(8,559)	(8,854)
Operating Fund Result	413	113	83	113	113
Interfund Transfers/Debt Retirement					
Debt retirement payment	(99)	(110)	(110)	(110)	(110)
Fiscal Stabilization Fund	0	0	30	0	0
Balance under BBL/Transfer to FSF	314	3	3	3	3
Special Funds (Changes in Balance)					
Debt Retirement Fund	(180)	27	28	29	30
Fiscal Stabilization Fund	316	14	(14)	17	17
Other	(2)	0	(2)	(2)	(2)
Consolidation Adjustment	202				
Total Changes in Special Funds	336	41	12	44	46
Government Enterprises and Crown Organizations					
Government Business Enterprises					
Manitoba Hydro	142	210	122	109	106
Manitoba Public Insurance	30	8	9	10	11
Manitoba Lotteries Corporation	270	271	271	271	271
Manitoba Liquor Control Commission	185	187	192	196	201
Special Operating Agencies	14	12	12	12	12
Manitoba Crop Insurance and Agricultural Credit Corporations	(86)	(22)	(19)	(16)	(14)
Other Enterprises and Organizations	79	50	50	50	50
Consolidation Adjustments	(472)	(475)	(479)	(484)	(489)
Net Enterprises and Organizations	161	242	157	149	149
Pension Expense for Unfunded Liability	(196)	(206)	(214)	(221)	(223)
Increase in Pensions Assets Fund	116	119	128	139	150
Net Pension Items	(80)	(87)	(86)	(82)	(73)
Consolidated Net Income	417	196	84	111	121

Totals may not add due to rounding.

f - Forecast b - Budget p - Projection

¹ First two years under Summary Budgets. For further detail see Budget Paper B.

Also, for 2005, to encourage broader support of the political process, the Political Contributions Tax Credit will be increased to make it comparable to the federal credit.

In total, Budget 2005 will save Manitobans \$80 million annually through the additional personal and property tax reductions I have announced today.

Mr. Speaker, since 2000, personal income taxes have been reduced by \$249 million and property taxes by \$142 million, for a combined savings of \$391 million. Business taxes have been cut by a further \$129 million.

These are the largest tax reductions in Manitoba history.

Saving for Manitoba's Future

Our balanced fiscal plan that focuses on making strategic investments, keeping our promises on taxes, and reducing debt and pension liabilities, includes a fourth pillar – saving for the future.

Mr. Speaker, today we are saving for our future, forecasting an historic \$314 million deposit into Manitoba's Fiscal Stabilization Fund (FSF), or the "rainy day fund", for 2004/05. We anticipate this deposit will bring the fund's balance to \$395 million as at March 31, 2005.

I am also pleased to announce that today's budget projects no draw from the fund for 2005/06.

Mr. Speaker, this fund is Manitoba's savings account – a safeguard for the future that has been used in recent years to help deal with such unforeseen events as the economic slowdown following September 11, 2001. The fund has also

been used to ensure Manitoba's debt and pension liability payments continue during challenging budget years.

The replenishment of our rainy day fund is a priority. It was made possible in part due to an increase in Equalization payments for 2004/05.

It is also important to note the \$314 million deposit to the Fiscal Stabilization Fund includes funding to reduce wait times for specific health care services, as committed at the September First Ministers' Meeting. The multi-year funding was provided by the federal government from its 2004/05 surplus. Under Manitoba's accounting rules, this multi-year funding must be deposited in the fund in 2004/05. As always, we will be accountable for every dollar received for health care from the federal government. Manitoba will ensure this funding is used for its intended purpose.

Mr. Speaker, the \$314 million deposit is the second-largest in the 10-year history of the fund – surpassed only in 1996/97 when the government of the day sold the Manitoba Telephone System and deposited the proceeds into the fund.

The 2004/05 deposit will be achieved without selling a Crown corporation, imposing health premiums, or cancelling promised tax cuts or debt repayments – measures that have been used in the past and by other jurisdictions in order to balance the operating budget.

It is clear that increased federal transfers have helped us replenish this fund. However, with the Equalization Program currently under review, we must prudently manage the fund in a way that saves for our future and provides resources for priorities such as health care.

Comparative Statement of Budgetary Revenue, Expenditure, Transfers and Balance

2005/06 and 2004/05

	2005/06 Budget	2004/05 Forecast	2004/05 Budget	Increase/ (Decrease) from 2004/05 Forecast to 2005/06 Budget		Increase/ (Decrease) from 2004/05 Budget to 2005/06 Budget	
	(Millions of Dollars)			(Millions of Dollars)	%	(Millions of Dollars)	%
Revenue							
Own-Source	5,381	5,286	5,206	95	1.8	175	3.4
Federal Transfers	2,796	2,918	2,447	(122)	(4.2)	349	14.3
Total Revenue	<u>8,177</u>	<u>8,204</u>	<u>7,653</u>	<u>(27)</u>	0.3	<u>524</u>	6.8
Expenditure							
Program	7,795	7,554	7,315	241	3.2	480	6.6
Unallocated							
Debt Servicing ¹	269	237	239	32	13.5	30	12.6
Total Expenditure	<u>8,064</u>	<u>7,791</u>	<u>7,554</u>	<u>273</u>	3.5	<u>510</u>	6.8
Net Revenue	113	413	99	(300)		14	
Interfund Transfers							
Debt/Pension Repayment	(110)	(99)	(96)	(11)		(14)	
Fiscal Stabilization Fund	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>		<u>0</u>	
Balance under Balanced Budget Legislation	<u>3</u>	<u>314</u>	<u>3</u>	<u>(311)</u>		<u>0</u>	

Note 1: Debt servicing costs of the Operating Fund are \$354 million, of which \$85 million is allocated to departments in respect of the carrying costs of their tangible capital assets.

Our Fiscal Plan

Today's budget projects a positive balance of \$3 million with no draw from the Fiscal Stabilization Fund. \$110 million is dedicated to the repayment of debt and pension liabilities.

Our medium-term framework is now consolidated on a summary basis. It records not only that the province projects a Summary Budget surplus of \$417 million for 2004/05 but, also anticipates compliance with balanced budget legislation and Summary Budget surpluses over the medium term.

For 2005/06 our budget reflects the higher levels of federal transfers for health care and Equalization. This federal support is reflected in higher levels of spending for health and other vital programs than in previous years.

Overall, this year's budget expenditures are 3.5% higher than the 2004/05 current forecast. Over the past five years, total expenditures have increased an average 3.7% annually compared to 3.6% annually in the previous five years.

Budget 2005 begins our program of fully implementing Generally Accepted Accounting Principles, moving to full summary budgeting and reporting in 2007/08. We have given increased prominence to our Summary Budget projections in the documents that accompany today's budget speech.

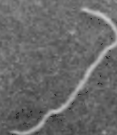
Conclusion

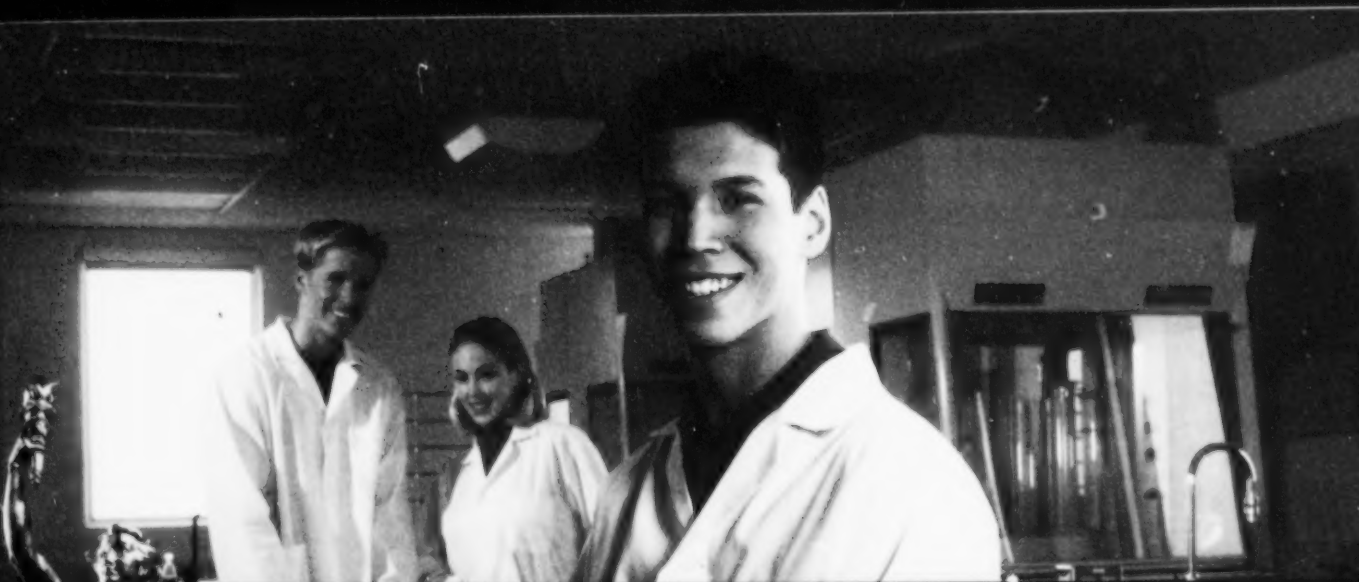
Budget 2005 is a budget for all Manitobans.

Mr. Speaker, Manitobans have told us what their priorities are – accessible health care, cleaner water, quality education, better roads, and more opportunities and support for Manitobans and their families – and Budget 2005 has delivered. We have done all this while cutting taxes, paying down our debt and ensuring that Manitoba's future is secure by saving for tomorrow.

The four pillars of Budget 2005 are a solid, secure foundation that represent growth, inclusion and competitiveness for Manitoba.

By balancing priorities, building opportunities and investing in tomorrow, Manitobans can feel confident and optimistic about their future.





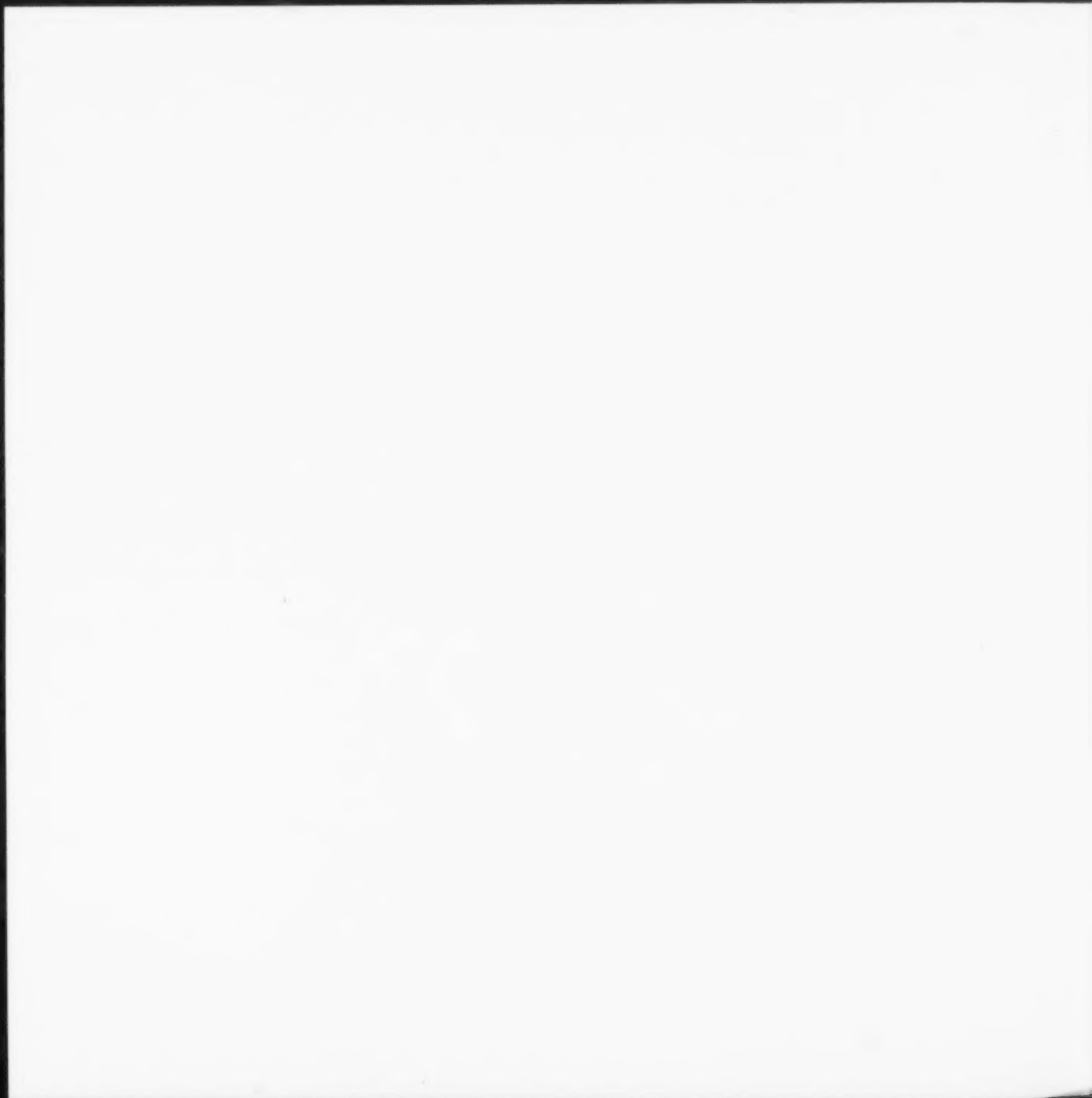
DISCOURS DU BUDGET

LE BUDGET DU MANITOBA DE 2005

HARMONISER LES PRIORITÉS. CRÉER DE NOUVELLES POSSIBILITÉS. INVESTIR DANS L'AVENIR.



Manitoba 
Bâti l'avenir





Discours du Budget 2005 du Manitoba

M. Gregory F. Selinger

Ministre des Finances

Le 8 mars 2005

Ce document peut être consulté
sur Internet à l'adresse suivante :

www.gov.mb.ca/finance/index.fr.html

Les autres documents sur ce site comprennent :

The 2005 Manitoba Budget Papers,
Le Budget des dépenses du Manitoba de 2005,
Le Budget des recettes du Manitoba de 2005,
Les avantages du Manitoba 2005,
Quarterly Financial Report (le plus récent), et
Highlights of Manitoba's Recent Economic Performance.

Des arrangements spéciaux peuvent être pris pour obtenir des sections
de ce document dans des formats différents
destinés aux personnes atteintes d'une incapacité visuelle.

Also available in English



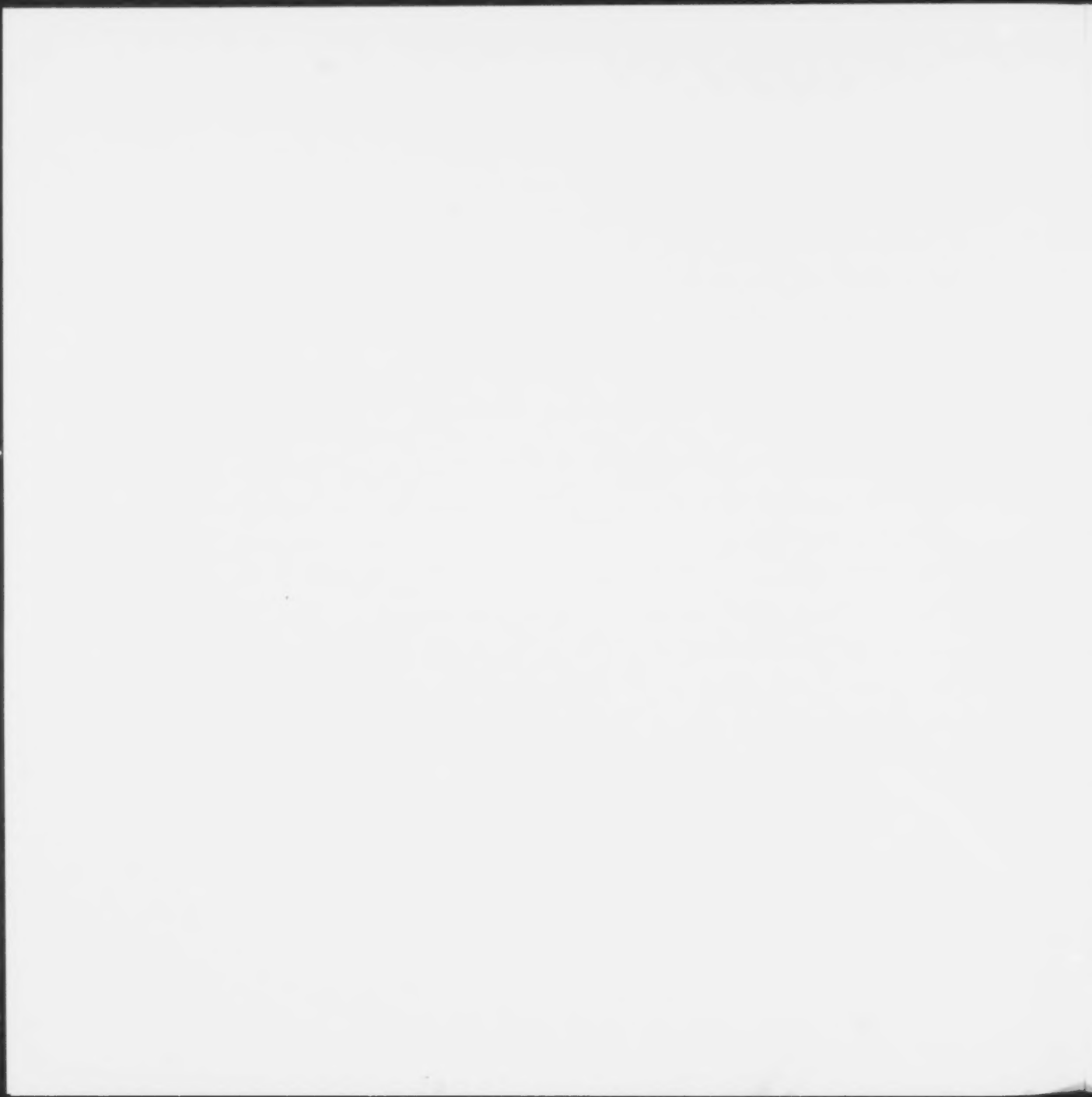
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LE DISCOURS DU BUDGET 2005 DU MANITOBA

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Les documents suivants sont également offerts :

THE BUDGET PAPERS (EN UN VOLUME)

Budget Paper A – The Economy

Budget Paper B – Financial Review and Statistics

Budget Paper C – Restoring Fiscal Balance

Budget Paper D – Taxation Adjustments

LES AVANTAGES DU MANITOBA





Monsieur le Président, c'est avec grand plaisir que je présente aujourd'hui le Budget 2005 : Harmoniser les priorités. Créer de nouvelles possibilités. Investir dans l'avenir.

Le Budget 2005 se fonde sur quatre piliers :

- rembourser la dette;
- investir stratégiquement;
- tenir nos promesses de réduction des impôts;
- épargner pour notre avenir.

Le Budget 2005 illustre la croissance et l'optimisme que la population manitobaine connaît. Plus de jeunes gens déménagent au Manitoba, les mises en chantier de logements augmentent, l'emploi et les investissements ont atteint des niveaux records et la croissance des recettes compte parmi les meilleures au Canada.

Monsieur le Président, il ne s'agit pas là de résultats sur lesquels se reposer, mais de résultats sur lesquels il faut bâtir. Nous devons harmoniser nos priorités, créer de nouvelles possibilités pour tous les Manitobains et Manitobaines et continuer à investir dans l'avenir. Nous voulons faire en sorte que le Manitoba reste compétitif et que toutes les collectivités profitent de notre croissance.

Nous reconnaissons le recul que subissent nos producteurs de bovins et d'autres ruminants à la suite de la décision récente d'un tribunal américain de laisser la frontière fermée. Nous allons poursuivre l'appui que

nous accordons à nos producteurs dans le cadre de notre stratégie de repositionnement de l'industrie du bétail. Et nous allons travailler en étroite collaboration avec nos homologues du gouvernement fédéral et des autres provinces, ainsi qu'avec le gouvernement américain, afin de normaliser nos relations commerciales et de promouvoir des résultats basés sur la science.

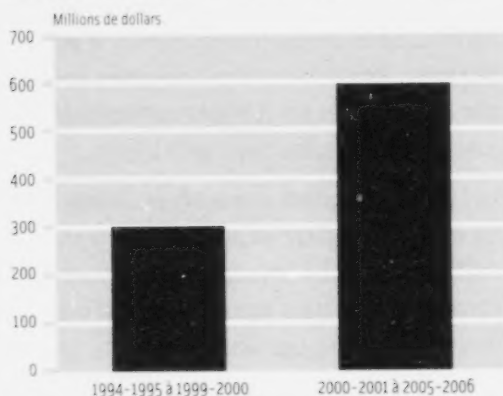
Malgré les pressions économiques mondiales et les défis que soulève un dollar élevé, le Manitoba continue son essor. Cette année, selon les prévisions, l'investissement dans notre province dépassera la moyenne nationale. Les secteurs de pointe, comme la biotechnologie et l'énergie propre, maintiennent un taux de croissance rapide.

Le Budget 2005 est équilibré. Il maintient notre politique de responsabilité financière tout en continuant à stimuler l'économie et à faire en sorte que le Manitoba demeure fort. Il investit dans les priorités des Manitobains et Manitobaines que sont la santé, l'éducation, les routes et l'eau.

Réduction de la dette

Le premier pilier du Budget 2005 est notre investissement dans l'avenir du Manitoba, que nous réalisons en maintenant un gouvernement à la mesure de nos moyens. Nous avons mis en œuvre un plan financier équilibré et responsable sans imposer de primes d'assurance-santé, sans vendre d'éléments d'actif public et sans reculer sur nos promesses de réductions des impôts.

Versements - Remboursement de la dette et obligation découlant des régimes de retraite



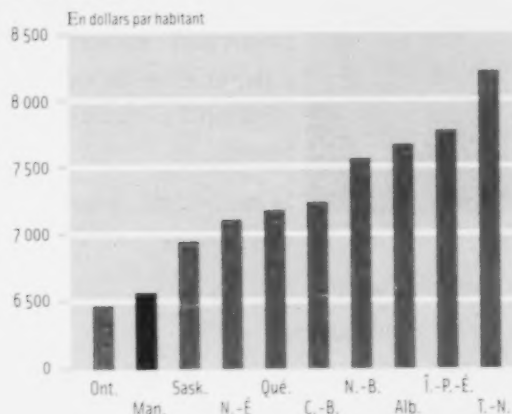
Source : Ministère des Finances du Manitoba

Monsieur le Président, je suis fier de souligner que tous nos budgets ont été équilibrés conformément aux mesures législatives du Manitoba sur l'équilibre budgétaire. C'est une promesse que nous avons faite à la population du Manitoba et c'est une promesse que nous avons tenue.

En 2001, pour la première fois, un budget sommaire fut inclus dans notre présentation du budget. Le Budget que je présente aujourd'hui est équilibré tant dans le contexte de nos mesures législatives sur l'équilibre budgétaire que dans celui des états financiers sommaires.

Nous continuerons à travailler avec le vérificateur général pour pleinement mettre en œuvre les principes comptables généralement reconnus. Au cours de l'exercice 2007-2008, le budget sommaire deviendra l'outil essentiel de l'information financière du Manitoba.

Dépenses du gouvernement provincial, 2004-2005



Source : Rapports financiers de la Province et Statistique Canada

Monsieur le Président, l'une de nos premières tâches lorsque notre gouvernement est arrivé au pouvoir a été d'élaborer un plan pour prendre des mesures à l'égard du « monstre » qu'était l'obligation non capitalisée découlant des régimes de retraite du Manitoba. Une obligation qui, si rien n'avait été fait, aurait atteint 8,4 milliards de dollars d'ici 2028.

Ce « monstre » est apparu en 1962, année au cours de laquelle le gouvernement du Manitoba a cessé de payer la part de l'employeur de la pension gouvernementale. Ce problème grandissant a été ignoré pendant presque 40 ans, sur fond de silence. Monsieur le Président, notre gouvernement a pris des mesures à cet égard. En 2000, nous avons lancé le tout premier plan d'élimination de l'obligation découlant des régimes de retraite.

En octobre 2002, nous avons mis en œuvre la deuxième partie de notre plan : le versement de cotisations de contrepartie aux régimes de retraite des nouveaux employés du gouvernement à partir des ressources existantes.

Dans le cadre de notre plan, la croissance de l'obligation découlant des régimes de retraite sera ralentie et inversée. D'ici 2032, elle sera éliminée. Si le gouvernement du Manitoba avait continué à verser sa contrepartie au lieu de cesser les paiements de la part de l'employeur au fonds de retraite, les coûts du fonds d'administration seraient aujourd'hui beaucoup plus bas.

Monsieur le Président, venir à bout du monstre de l'obligation publique découlant des régimes de retraite fait partie d'une stratégie à long terme plus importante. Dans nos six premiers budgets, celui-ci compris, nous avons versé un total de 594 millions de dollars dans le Fonds de remboursement de la dette pour rembourser la dette générale et l'obligation découlant des régimes de retraite. Il s'agit là du paiement sur six ans le plus important dans l'histoire du Manitoba.

En 1999, le paiement de la dette était de 75 millions de dollars. Dans le Budget 2005, nous faisons passer notre paiement de la dette de 96 millions de dollars prévus au budget de l'exercice précédent à 110 millions de dollars.

Depuis 1999, le rapport dette générale nette-PIB a été réduit de 20 % au Manitoba. Nos frais de service de la dette ont chuté, ce qui nous a permis d'améliorer notre cote de crédit auprès de la société Moody's Investors Service et de la société Dominion Bond Rating Service. Dans l'ensemble, notre gouvernement provincial occupe

la deuxième place des gouvernements qui dépensent le moins par habitant au Canada.

Notre engagement à réduire le nombre de postes de fonctionnaires est sur la bonne voie. Pour faire des économies, nous sommes en train de fusionner des services administratifs en sept groupes et nous avons fait passer le nombre d'offices de la santé de 13 à 11. La réduction volontaire de la semaine de travail dans la fonction publique a permis d'épargner 2,4 millions de dollars en 2004, et elle continuera en 2005.

Nous avons lancé une stratégie de renouvellement du service public qui nous permettra d'attirer et de conserver les gens de talent dont nous avons besoin pour fournir des services gouvernementaux importants. Nous augmentons le nombre de centres de services bilingues pour assurer à notre communauté francophone un meilleur accès aux services.

Bâtir le Manitoba

Le deuxième pilier du Budget 2005 est notre investissement dans les priorités des Manitobains et Manitobaines que sont la facilité d'accès aux soins de santé, la salubrité de l'eau, la qualité de l'éducation et l'amélioration des routes.

Les besoins en infrastructures au Manitoba sont devenus une question d'importance majeure et une source de grande préoccupation. En 1999, notre gouvernement a ciblé des « déficits d'infrastructures » dans plusieurs domaines clés, et nous avons agi. Nous avons commencé un programme d'investissements stratégiques sur cinq ans dans les domaines suivants :

AIDE DU MANITOBA AUX MUNICIPALITÉS

Statistique Canada a annoncé que le Manitoba se classe au deuxième rang national en ce qui concerne l'appui financier par habitant aux municipalités.

Le Budget 2005 renforce le niveau élevé d'appui provincial à l'aide de plusieurs nouvelles initiatives.

- Le nouveau « Fonds de croissance du Manitoba » accorde 119 millions de dollars aux municipalités du Manitoba en 2005, en incluant l'équivalent de l'entente du partage de l'impôt sur le revenu de la Province et en augmentant les fonds disponibles par l'équivalent de 3 cents par litre de la taxe sur le carburant (2 cents provenant de la taxe sur l'essence et 1 cent de la taxe sur le carburant diesel).
- Au cours des cinq prochaines années, le Fonds de croissance du Manitoba investira plus de 600 millions de dollars dans les municipalités de la province, qui s'ajoutent aux 167 millions de dollars de taxes fédérales sur l'essence affectés aux municipalités en vertu de la Loi sur l'obligation redditionnelle concernant l'essence du Manitoba.
- Les subventions d'exploitation des transports en commun augmenteront de 15 %. Il s'agit de la première augmentation importante à l'échelle de la province en dix ans, ce qui offre de nouvelles ressources indispensables à Winnipeg, à Brandon, à Thompson et à Flin Flon.
- Une nouvelle entente de partage des recettes de casino pour la sécurité publique financera la création de 20 nouveaux postes de policiers à Winnipeg. Cette entente permet de doubler l'appui provincial aux services de police de Winnipeg pour atteindre quatre millions de dollars en 2005. Elle fournira 5 % des recettes des casinos en 2005 et passera à 10 % en 2006.
- Les subventions inconditionnelles des recettes provenant des appareils de loterie vidéo augmenteront de 3,9 millions de dollars en 2005, somme qui servira à exécuter des projets de développement communautaire dans toute la province. Le Manitoba et la Colombie-Britannique sont les seules provinces qui partagent les recettes provenant des jeux avec les municipalités.
- Vingt nouveaux postes de policiers seront financés pour les régions rurales et du Nord, y compris un nouveau poste pour la ville de Brandon.
- L'appui annuel continu ciblé pour les rues et les routes municipales augmentera de 20 % à Winnipeg et de 15 % à l'extérieur de la capitale.
- Plus de 500 millions de dollars sont affectés à des projets d'immobilisations qui seront entrepris à Winnipeg au cours des six prochaines années, notamment les priorités tels l'élargissement du canal de dérivation de la rivière Rouge, le passage inférieur du boulevard Kenaston et les améliorations apportées à l'usine de traitement des eaux usées de Winnipeg.
- L'appui aux projets hydrauliques municipaux en dehors de Winnipeg augmentera de 4,6 % grâce à la Commission des services d'approvisionnement en eau du Manitoba.
- Le financement des programmes Infrastructures Canada-Manitoba augmentera de quatre millions de dollars pour permettre la réalisation de la prochaine série d'ententes fédérales-provinciales-municipales sur les infrastructures : le nouveau Fonds sur l'infrastructure rurale du Manitoba de 123 millions de dollars et le Fonds canadien sur l'infrastructure stratégique de 165 millions de dollars.
- Le financement provincial accordé aux municipalités par le ministère des Affaires intergouvernementales et du Commerce augmentera de 8 % en 2005.

les installations de soins de santé et d'éducation, les systèmes hydrauliques, la lutte contre les inondations, les routes et les infrastructures municipales.

Monsieur le Président, l'action a remplacé l'inaction des années 1990. Le gouvernement de l'époque avait promis des projets qui n'ont jamais vu le jour, comme les travaux de modernisation majeurs des hôpitaux de Brandon et de Winnipeg et des établissements d'enseignement à l'Université du Manitoba et au collège Red River.

Aujourd'hui, un nouveau bâtiment pour la faculté d'ingénierie et des technologies de l'information de l'Université du Manitoba est en construction. Le campus du centre-ville du collège Red River est ouvert et fourmille d'étudiants. Le centre régional de santé de Brandon est entièrement réaménagé et accueille le premier appareil d'imagerie par résonance magnétique (IRM) en dehors de Winnipeg. La modernisation du Centre des sciences de la santé (le projet d'infrastructure de santé le plus important de l'histoire du Manitoba), d'un montant de plus de 100 millions de dollars, est bien avancée.

Nous construisons les installations dont la population manitobaine aura besoin pour être compétitive et prospère au 21^e siècle. Dans le Budget 2005, nous nous engageons à accélérer cette stratégie avec de nouveaux investissements dans des domaines d'infrastructure importants.

L'un des éléments clés de notre stratégie est le partage des recettes avec les municipalités. Aujourd'hui, le Manitoba fait partie des provinces les plus généreuses en matière d'appui municipal.

Monsieur le Président, le Budget 2005 augmente notre appui aux dépenses d'infrastructures municipales grâce à la création d'un nouveau Fonds de croissance du Manitoba.

Notre nouveau Fonds de croissance du Manitoba :

- contribue 86 millions de dollars, montant correspondant aux recettes d'impôt sur le revenu partagées dans le cadre de l'ancien Programme de partage des recettes fiscales entre la Province et les municipalités (PRFPM);
- augmente les subventions d'exploitation des transports en commun dans les villes de Winnipeg, Brandon, Thompson et Flin Flon, pour la première fois en dix ans;
- remplace les subventions de transport en commun forfaitaires par un partage dynamique de la taxe sur le carburant, à raison de 3 cents par litre (2 cents provenant de la taxe sur l'essence et 1 cent de la taxe sur le carburant diesel), c'est-à-dire 32,7 millions de dollars en 2005, soit 4,7 millions de dollars de plus qu'en 2004;
- comprend un financement pour les routes dans les villes et les municipalités.

Au total, le Fonds fournira 119 millions de dollars aux municipalités, soit une augmentation moyenne de 8 % par rapport à l'exercice précédent.

Notre plan signifie que les municipalités recevront l'équivalent de 165 millions de dollars en recettes tirées de la taxe provinciale sur le carburant au cours des cinq années à venir. Ce plan est un complément de l'initiative du gouvernement fédéral visant à partager les recettes

tirées de la taxe sur l'essence avec les municipalités. Nous allons consulter ces dernières, dans l'ensemble de la province, au sujet de la transparence de notre programme provincial-municipal de partage des recettes et de sa comparabilité avec l'initiative fédérale.

Le Fonds de croissance du Manitoba inclura des caractéristiques de responsabilisation pour assurer qu'un nouveau financement dans le Budget 2005 soit affecté à l'amélioration des installations hydrauliques et des canalisations d'égouts ainsi que des réseaux routiers et de transport en commun, afin de répondre aux priorités de la population manitobaine.

Croissance des villes

Les nouveaux investissements du Budget 2005 stimuleront le renouvellement stratégique des infrastructures déjà à l'œuvre dans les collectivités du Manitoba.

À Winnipeg, les investissements sont axés sur la revitalisation du centre-ville, la modernisation des transports et des canalisations d'égouts, et la lutte contre les inondations.

Le Budget 2005 investit 56 millions de dollars dans le projet d'élargissement du canal de dérivation de la rivière Rouge, pour assurer que la construction commencera cet été et s'achèvera comme prévu en 2009.

Il s'agit du projet d'infrastructure le plus important de l'histoire de Winnipeg.

Des projets importants, comme le passage inférieur du boulevard Kenaston et les améliorations apportées à

l'usine de traitement des eaux usées de Winnipeg, sont en cours.

Au cours des six prochaines années, le Manitoba investira 500 millions de dollars dans des projets d'infrastructures rien qu'à Winnipeg.

Tel que nous l'avons promis, nous commencerons à partager pour la première fois les recettes des casinos avec la Ville de Winnipeg, en commençant à 5 % en 2005 et en augmentant à 10 % en 2006. En 2006, nous prendrons des mesures relatives au coût de l'évaluation financière pour accorder à Winnipeg un traitement comparable aux autres municipalités.

Monsieur le Président, il s'agit là d'un niveau d'appui provincial sans précédent pour notre capitale.

Afin de stimuler l'offre d'appartements, nous ferons passer de 15 à 20 ans l'exemption de contrôle du loyer pour les nouvelles constructions.

À Brandon, nous avons le plaisir de participer au réaménagement du Keystone Centre, d'un montant de 15 millions de dollars, et de faire l'investissement dans les soins de santé le plus important jamais réalisé dans l'Ouest du Manitoba, soit le réaménagement du Centre régional de santé de Brandon, dont le coût s'élèvera à 58 millions de dollars. De plus, le Budget 2005 contribuera :

- à la construction d'un centre de bien-être à l'Université de Brandon;
- au financement de fonctionnement complet du nouvel appareil d'IRM de Brandon;

- à l'accroissement du nombre de lits de chirurgie au Centre régional de santé de Brandon.

Collaborer avec la Ville de Brandon dans le domaine du développement économique a été une priorité au cours des cinq dernières années. Ensemble, nous avons appuyé Convergys, un centre de réception d'appels qui emploie maintenant plus de 500 personnes, et nous avons aidé à assurer l'avenir de Shilo, qui accueille les soldats du 2e Bataillon de la Princess Patricia's Canadian Light Infantry et leurs familles.

Le réaménagement du site du Centre de santé mentale de Brandon sera un nouveau défi. Un processus est maintenant en place pour assurer la participation communautaire sur les options de réaménagement. La Province s'est engagée à appuyer une nouvelle vision pour ce site.

Le Nord et les régions rurales

Dans le Budget 2005, nous poursuivons notre engagement à améliorer les routes en investissant plus de 145 millions de dollars dans le développement, l'amélioration et la préservation de celles-ci, ce qui représente une augmentation de 16 millions de dollars en dépenses provinciales par rapport à l'exercice précédent. Par conséquent, près de 700 millions de dollars auront été investis dans les infrastructures routières et la préservation des routes, d'un bout à l'autre de la province, depuis que notre gouvernement est arrivé au pouvoir.

Nous sommes heureux de constater que le gouvernement fédéral commencera à partager une part des taxes sur

l'essence avec les municipalités. Malheureusement, il n'y a aucun investissement semblable des taxes sur l'essence pour l'amélioration des liens avec les collectivités et les marchés d'exportation à l'aide des infrastructures routières.

Les infrastructures routières sont importantes pour le nord du Manitoba. Depuis 1999, nous avons plus que doublé le budget des chemins d'hiver. Le Budget 2005 continue à mettre l'accent sur notre stratégie pour le Nord, qui comprend des travaux importants sur la route 6, sur la route provinciale secondaire 391 et sur la route 10 à Flin Flon.

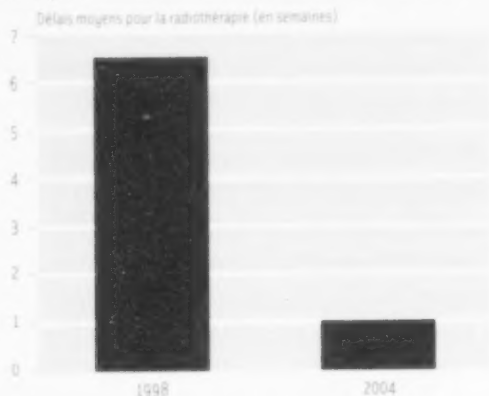
Les besoins en logement et en transport sont une priorité dans l'ensemble du Manitoba. Le Budget 2005 appuie le développement de programmes permanents visant la construction, la rénovation et la réparation de logements, en privilégiant tout particulièrement l'augmentation du nombre de logements à prix abordable dans nos quartiers urbains centraux, et dans les régions rurales et du nord du Manitoba.

Harmoniser les priorités dans les soins de santé

En septembre 2004, les premiers ministres du pays ont approuvé à l'unanimité et signé une entente de financement des soins de santé qui place notre système de soins de santé sur une voie plus stable et prévisible.

Le rétablissement du financement fédéral prévu au cours de l'entente représente une augmentation d'aide qui correspond à 3 % des dépenses de santé de notre gouvernement.

Délais pour les traitements anticancéreux



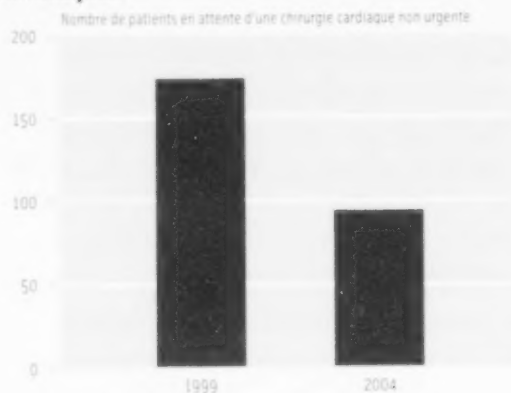
Source : Action cancer Manitoba

Monsieur le Président, depuis 1999, nous travaillons à rebâtir un système de soins de santé en grande difficulté. Nous avons réduit les délais pour les traitements nécessaires à la survie, fourni des services plus près du domicile des patients, mis en œuvre de nouvelles initiatives de prévention et formé un plus grand nombre de professionnels de la santé.

Nos efforts ont attiré l'attention du pays. Le rapport de janvier 2005 du Conseil canadien de la santé soulignait les idées innovatrices du Manitoba dans le domaine des soins de santé, notamment notre réseau Télésanté, nos établissements de santé communautaire telle la Women's Health Clinic, et le programme de sages-femmes pour les Autochtones en cours d'élaboration par le Collège universitaire du Nord.

La réduction des listes d'attente demeure notre priorité numéro un dans les soins de santé. Au cours des

Liste d'attente pour les chirurgies cardiaques



Source : Office régional de la santé de Winnipeg

cinq dernières années au Manitoba, les délais clés ont été raccourcis de façon significative et le nombre de tests diagnostiques a augmenté.

- Depuis 1999, les délais pour la radiothérapie contre le cancer sont passés de six semaines à une semaine.
- Le nombre de Manitobains et Manitobaines en attente d'une chirurgie cardiaque a été diminué de moitié.
- Le nombre de tomodensitogrammes effectués au Manitoba a plus que doublé et le nombre de tests d'IRM plus que triplé.

Les délais clés ont été raccourcis grâce à l'accent mis sur les priorités de la population manitobaine dans le domaine des soins de santé. Le Budget 2005 continuera sur la lancée de notre stratégie de réduction des listes d'attente en investissant dans un plan ambitieux pour les opérations du genou et de la hanche.

Notre vision de soins de santé améliorés comprend l'ensemble du Manitoba. Nous avons inauguré le premier appareil d'IRM à l'extérieur de Winnipeg, c'est-à-dire à Brandon, l'année passée. Le Budget financera l'installation d'autres appareils à l'extérieur de Winnipeg. La construction d'un nouveau tomodynamomètre pour Portage-la-Prairie est en cours et la nouvelle unité de traitement de dialyse est maintenant ouverte à Garden Hill.

Monsieur le Président, nous avons acheté 120 ambulances depuis 2001. Je suis heureux de souligner que le Budget 2005 financera l'achat de 20 nouvelles ambulances.

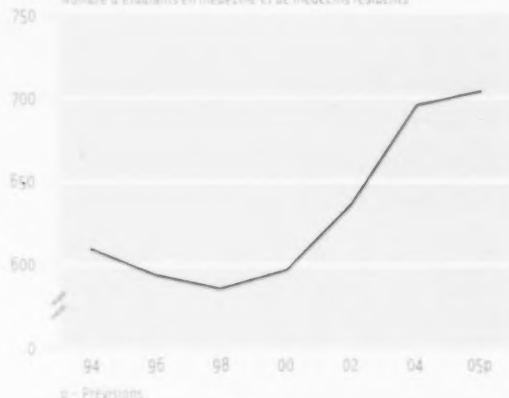
Le Budget 2005 continuera d'investir des ressources pour rapprocher les soins de santé des patients. Les ressources comprennent :

- des programmes communautaires nouveaux et élargis de soins anticancéreux à Deloraine, à Pinawa et à Steinbach;
- un programme élargi de chirurgie au Selkirk General Hospital;
- la chirurgie orthopédique au Boundary Trails Health Centre;
- la chirurgie de la cataracte à l'Hôpital général du district Portage et à la clinique Pan Am;
- la chirurgie dentaire pour enfants au Centre de santé Miséricordia et à l'hôpital de Beauséjour.

Monsieur le Président, le nouveau financement est une partie de la solution pour les soins de santé. L'innovation et l'efficacité font également partie de la solution. Nous avons commencé à créer des centres d'excellence

Médecins en formation au Manitoba

Nombre d'étudiants en médecine et de médecins résidents



Source : Système informatisé sur les stagiaires post-M.D. en formation clinique et Faculté de médecine de l'Université du Manitoba

qui rassemblent les meilleurs professionnels et les technologies médicales de pointe.

Nos innovations comprennent :

- deux nouvelles salles d'opération ultramodernes au Concordia Hospital, qui accueille le nouveau centre d'excellence winnipegois pour les opérations du genou et de la hanche;
- le projet d'immobilisations en soins de santé le plus important de l'histoire du Manitoba, qui permettra de moderniser les salles d'urgence et d'opération du Centre des sciences de la santé;
- le nouveau centre de traitement du cancer de la prostate, qui met l'accent sur le traitement et la prévention, et qui concrétise l'engagement que nous avons pris envers la population manitobaine en 1999;
- des fonds pour l'Institute for Advanced Medicine (IAM) qui est axé sur les « chirurgies du futur » telles la

micromanipulation chirurgicale et la chirurgie assistée par ordinateur.

Le Budget 2005 prévoit :

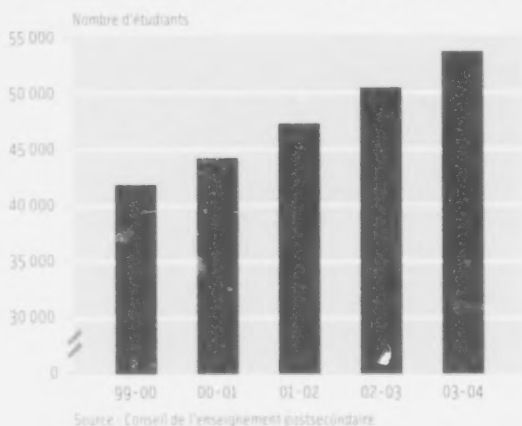
- l'augmentation du nombre de places dans la faculté de médecine;
- l'offre de plus de formation en sciences infirmières;
- l'offre de plus de formation pour les technologues en soins de santé et un transfert d'apprentissage accru pour les technologues qui travaillent dans les collectivités rurales;
- le soutien des soins à domicile.

Dans le discours du Trône, notre gouvernement a lancé une stratégie de prévention du diabète qui applique des principes de santé communautaire et de prévention afin de lutter contre une maladie dont la propagation a pris des proportions épidémiques.

Monsieur le Président, il faut avoir des communautés en santé pour avoir une population en santé. Les initiatives tels le nouveau programme de prévention du diabète et des maladies chroniques, et le groupe de travail Des enfants en santé, pour un avenir en santé, permettent de promouvoir un mode de vie sain. Le Budget 2005 comprend 3,6 millions de dollars de plus pour appuyer les initiatives en faveur de la vie saine.

Le prix des médicaments délivrés sur ordonnance continue d'être l'un des coûts qui augmentent le plus rapidement dans le système de soins de santé. En l'absence d'une stratégie nationale, les coûts de ces médicaments continuent à croître plus rapidement que toutes les autres dépenses de santé. Le Budget 2005

Total des inscriptions – Collèges et universités

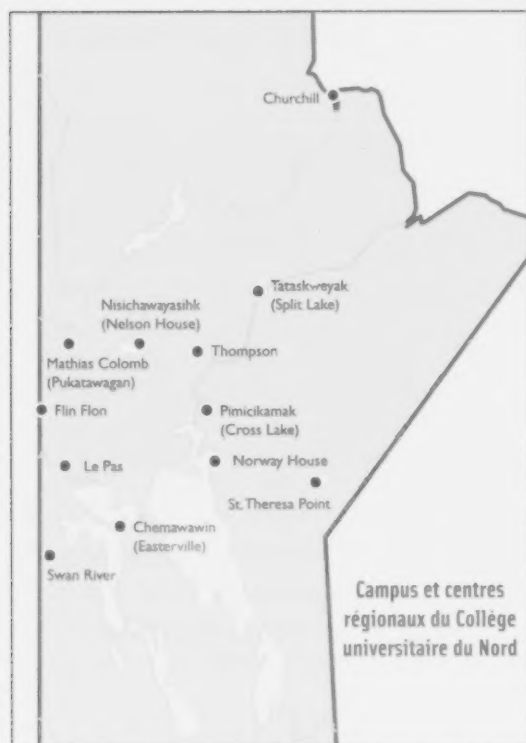


prévoit une augmentation de 16 % des dépenses liées au Régime d'assurance-médicaments du Manitoba, ainsi qu'une augmentation des franchises du Régime, soit entre 1 \$ et 5 \$ par mois pour la plupart des familles. Depuis 1999, le financement provincial accordé au Régime a plus que doublé.

Une éducation de qualité

Notre gouvernement a fait de l'éducation une priorité majeure. Pour qu'une stratégie économique connaisse du succès, il faut d'abord une stratégie d'éducation.

Nous avons appuyé une campagne de levée de fonds dynamique pour attirer des investissements privés pour nos universités, nous avons financé l'éducation publique au même rythme que le taux de croissance économique et nous avons continué d'éliminer graduellement l'impôt foncier des universités.

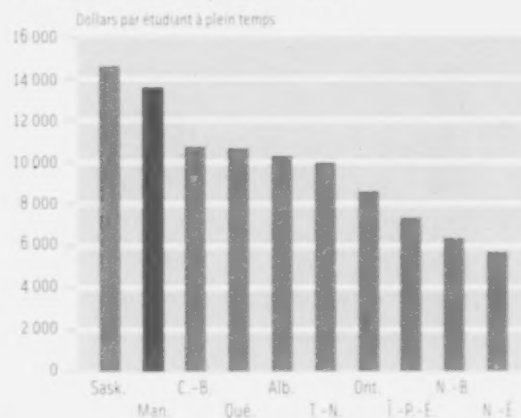


Monsieur le Président, au cours de la dernière décennie, la part fédérale des dépenses provinciales consacrées à l'éducation postsecondaire a diminué environ de moitié. Cette part est passée de 15 % en 1995-1996 à légèrement plus de 7 % en 2004-2005. Le Manitoba collaborera avec les autres provinces pour annuler ces réductions du financement fédéral.

Le Budget 2005 reflète les engagements de notre gouvernement envers :

- l'augmentation du nombre d'inscriptions au niveau postsecondaire;

Financement provincial pour les collèges et les universités, 2002-2003

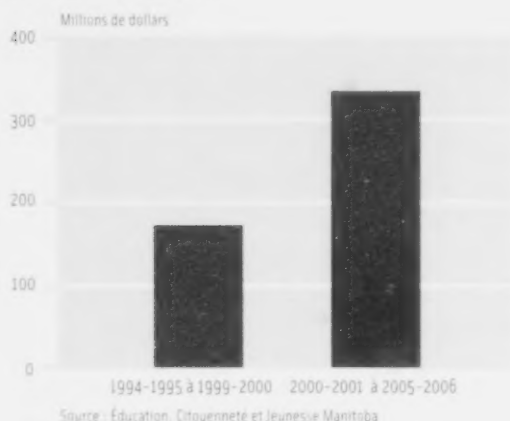


Source : Statistique Canada

- l'augmentation des formations en apprentissage;
- l'offre de formation spécialisée dans les secteurs clés de l'industrie du savoir;
- le maintien d'une éducation postsecondaire accessible et abordable pour les Manitobains et Manitobaines, quel que soit leur lieu de résidence.

Il y a plus de 13 000 étudiants supplémentaires dans les collèges et universités du Manitoba par rapport à 1999, ce qui représente une augmentation d'un tiers. Les projets tels l'achèvement du campus du centre-ville du collège Red River, le programme Campus Manitoba géré à partir de Brandon, ainsi que les deux campus et dix centres régionaux du Collège universitaire du Nord, permettront d'offrir plus d'options d'études postsecondaires et de les rapprocher des lieux de résidence des étudiants.

Financement d'immobilisations pour les écoles publiques

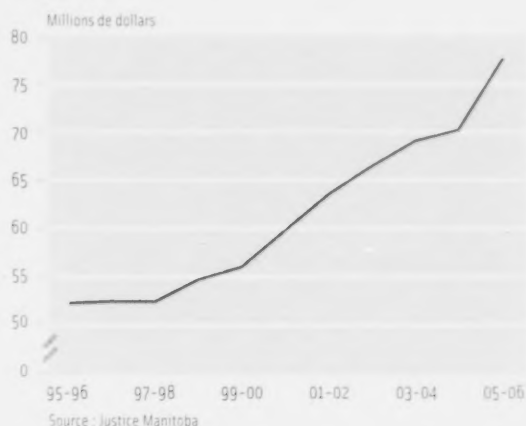


Les initiatives d'éducation et de formation s'adressant aux habitants autochtones et aux habitants du Nord sont essentielles à la Stratégie de développement du Nord. Nous effectuons un réinvestissement majeur pour moderniser l'école Duke of Marlborough à Churchill.

Le Budget 2005 prévoit l'amélioration du Programme de prêts-étudiants du gouvernement du Manitoba, l'expansion du programme de bourses du Manitoba et le doublement de l'investissement dans le programme manitobain de bourses d'études supérieures. Le Budget maintient aussi la réduction des droits de scolarité.

En 2004, nous avons accordé un financement sur trois ans de 4,5 millions de dollars pour renforcer l'enseignement technique et professionnel au Manitoba. Le Budget 2005 appuie notre engagement en augmentant le financement accordé aux formations en apprentissage et à l'Initiative d'expansion des collèges.

Financement provincial pour les services de police



Monsieur le Président, l'aide financière stable et prévisible accordée aux écoles publiques du Manitoba est un investissement important dans nos enfants et nos jeunes.

Les niveaux de financement des écoles publiques en 2005-2006 augmenteront de 2,8 %. Depuis 1999, ces niveaux ont augmenté de 130 millions de dollars.

Monsieur le Président, nous affectons 135 millions de dollars sur trois ans aux infrastructures scolaires, ce qui porte à environ 333 millions de dollars le financement total accordé depuis l'an 2000, soit le double du financement accordé au cours de la période de cinq ans précédente.

Le Budget 2005 engage de nouvelles ressources à l'appui d'une initiative relative aux écoles communautaires.

Des communautés plus sûres

Monsieur le Président, la réduction de la criminalité et l'engagement communautaire accru sont essentiels au maintien de la sécurité de nos communautés.

Il est important pour tous les Manitobains et Manitobaines de se sentir en sécurité peu importe où ils vivent. C'est la raison pour laquelle les services de police partout au Manitoba seront renforcés à l'aide d'un nouveau financement permanent pour 40 policiers supplémentaires qui exerceront à Winnipeg, à Brandon et dans les régions rurales et du nord du Manitoba.

Grâce aux partenariats avec les collectivités dans l'ensemble de la province, les jeunes à risque ont eu accès à des possibilités sur les plans récréatif, éducatif et social. Depuis l'an 2000, nous avons appuyé la création de 34 lieux-phares du programme Lighthouse, qui sont ouverts après les heures d'école, partout dans la province. Dans le Budget 2005, nous élargirons ce programme fructueux en investissant dans quatre nouveaux lieux-phares.

La stratégie provinciale de lutte contre le crime organisé sera renforcée de façon significative dans des domaines comme les mesures législatives antigang innovatrices, les poursuites judiciaires contre les gangs, et les renseignements de sécurité. Par exemple, des mesures législatives adoptées par notre gouvernement ont permis de fermer plus de 90 lieux où on se livrait à la consommation de drogues, à l'inhalation de substances intoxicantes et à la prostitution.

Le Budget 2005 prévoit un engagement continu à l'appui des services de poursuites judiciaires. Nous collaborerons avec les organismes du centre-ville pour gérer de façon plus proactive les crimes de rue et les délinquants dangereux.

La population manitobaine peut s'attendre à des initiatives de sécurité améliorées, notamment :

- de nouvelles ressources pour lutter contre la violence familiale;
- l'élaboration d'une stratégie de lutte contre la fabrication de drogues illicites;
- le développement du système de justice autochtone à l'aide de services judiciaires et de services de police et de probation sous contrôle autochtone;
- de nouvelles ressources pour protéger les Manitobains et Manitobaines contre les prédateurs sexuels et les délinquants dangereux;
- le renouvellement des efforts de prévention de vols de véhicules.

Les coûts du Manitoba pour la prestation de services judiciaires, notamment les services correctionnels et les services d'aide juridique et d'administration judiciaire, continuent à grimper. Pour aider à compenser ces coûts, les droits de services judiciaires seront augmentés à compter du 1^{er} avril 2005.

Protection de l'eau, zones naturelles et changement climatique

L'eau est une de nos plus importantes ressources. La gestion des ressources hydriques est une priorité pour les Manitobains et Manitobaines.

Le Budget 2005 prolonge notre engagement à l'égard de la stratégie manitobaine de gestion de l'eau. Nous investissons dans plusieurs initiatives importantes, notamment en accroissant le financement consacré à :

- la promotion de nouvelles normes fixées par la récente Loi sur la protection des eaux;
- la prévention des inondations et la lutte contre les crues;
- la lutte contre les embâcles et la limitation de l'érosion des berges;
- des projets relatifs aux égouts et aux aqueducs;
- l'entretien et la rénovation du réseau de drainage de la province.

La prolongation du crédit d'impôt sur les biens-fonds riverains, de nouveaux règlements relatifs aux champs d'épandage et aux champs d'épuration, une entente transfrontalière indispensable conclue avec le Dakota du Nord et le Minnesota afin de réduire de 10 % la charge en éléments nutritifs : autant d'éléments qui appuieront nos efforts de protection du lac Winnipeg et de préservation de l'intégrité de tous les cours d'eau du Manitoba.

En établissant des partenariats avec des collectivités un peu partout dans la province, nous avons contribué à faire éclore localement des projets relatifs à

l'environnement durable. Depuis 1999, nous avons fait passer de 9 à 16 le nombre de districts de conservation de la province. Dans le cadre du Budget 2005, nous investissons aussi davantage dans les districts de conservation et l'aménagement des bassins versants.

Monsieur le Président, donnant suite à une décision de la Commission de protection de l'environnement, nous avons appuyé l'agrandissement et l'amélioration des installations de traitement des eaux usées à Portage-la-Prairie et à Lac-du-Bonnet, ainsi que les travaux d'amélioration en cours à Garson-Tyndal, Winnipeg et Gimli. Nous avons suivi les recommandations de la Commission en renforçant les normes relatives au traitement des eaux usées à Brandon et à Portage-la-Prairie.

Depuis 1999, nous avons investi plus de 80 millions de dollars dans des projets hydrauliques, notamment des projets d'assainissement de l'eau dans 81 collectivités et des projets de traitement des eaux usées dans 43 collectivités.

La stratégie verte du Manitoba rassemble toutes nos nouvelles initiatives environnementales. Il nous aidera à travailler de concert avec les Manitobains et Manitobaines afin de mettre sur pied des initiatives de protection de notre environnement.

Adeptes du plein air, la population du Manitoba a toujours saisi les occasions offertes par notre belle province dans ce domaine. Le Budget 2005 élargit encore le champ des possibilités grâce à la mise en vente de nouveaux lotissements pour chalets et à l'amélioration des terrains de camping. Le Budget 2005 ajoute au financement du parc provincial de Birds Hill, l'un des plus populaires de

la province, afin qu'il puisse mieux recevoir le nombre accru de visiteurs qui le fréquentent.

Par l'entremise du Fonds des innovations de développement durable, les Manitobains et Manitobaines créent des partenariats qui améliorent notre environnement, notre économie, notre santé et notre bien-être social. Le Budget 2005 continue de contribuer des ressources à ces importantes initiatives environnementales.

L'année dernière, nous avons :

- créé le nouveau parc provincial de la Rivière-Manigotagan;
- créé une réserve écologique pour préserver une forêt de plaine alluvionnaire unique, au sud de Saint-Adolphe;
- pris des mesures pour préserver près de 80 acres sur lesquelles s'étend le bois des Esprits, dans le sud-est de Winnipeg;
- pris l'engagement de proposer l'inscription sur la Liste du patrimoine de l'UNESCO d'une forêt boréale située sur la rive est du lac Winnipeg;
- protégé quatre nouvelles zones et agrandi deux parcs existants;
- affecté 600 000 \$ à la gestion durable des forêts et à la régénération forestière.

La province de l'énergie propre

Le Manitoba continue de tracer la voie en ce qui concerne le développement de sources d'énergie propres et renouvelables.

L'installation d'aérogénérateurs capables de produire 99 mégawatts d'électricité est en cours à Saint-Léon. Cette opération injecte 187 millions de dollars dans l'économie rurale de la province et rapporte 10 millions de dollars de revenu à des propriétaires fonciers de la région.

Et ce n'est qu'un début. Notre gouvernement étudie la possibilité de produire jusqu'à 1 000 mégawatts d'énergie éolienne au cours des dix prochaines années.

L'année 2005 verra s'achever l'étape préparatoire à la construction du barrage hydroélectrique de Wuskwatim. Ce projet unique en son genre s'appuie sur un partenariat plein et entier avec la nation crie de Nisichawayasihk.

Monsieur le Président, nous sommes heureux de constater qu'en défendant vigoureusement la cause du Manitoba, nous avons convaincu le gouvernement fédéral de s'engager, dans son budget 2005, à investir dans un réseau national reliant les marchés de l'énergie propre d'est en ouest. Nous saisissons sans tarder cette occasion de jeter les fondations de la future mise en œuvre du projet de Conawapa.

Tout en travaillant à faire surgir de nouvelles possibilités de production d'énergie, notre gouvernement, en collaboration avec Hydro-Manitoba, continue de mettre en œuvre des mesures d'efficacité énergétique qui accroîtront la part de notre production d'énergie réservée à l'exportation.

Depuis l'an 2000, le programme Éconergique d'Hydro-Manitoba a permis d'économiser plus de 240 mégawatts, une quantité d'énergie suffisante pour alimenter

les villes de Steinbach, Dauphin, Carman, Neepawa et Morden. Selon l'Alliance canadienne d'efficacité énergétique, Hydro-Manitoba offre le meilleur programme d'efficacité énergétique du Canada.

Efficience Manitoba est un nouvel organisme qui coordonnera l'action d'Hydro-Manitoba dans le domaine de l'efficacité énergétique avec les programmes de réduction des déchets de la Province, notamment le programme de recyclage.

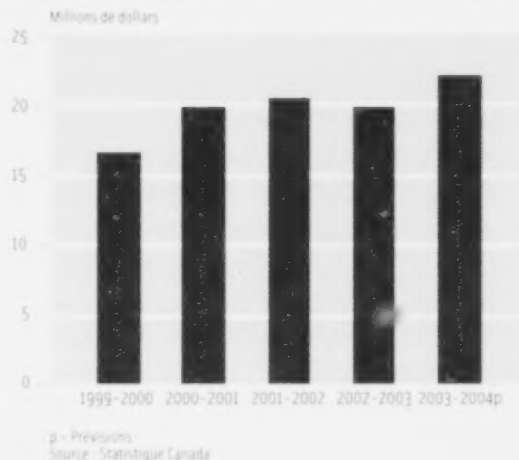
Au niveau national, le Manitoba joue également un rôle de chef de file en ce qui concerne l'installation de pompes géothermiques économes en énergie. L'année dernière, plus de 20 % des installations de pompes géothermiques du Canada ont eu lieu dans notre province, qui représente pourtant moins de 4 % de la population du pays.

Recherche et innovation

Les industries basées sur le savoir constituent l'un des fers de lance de la croissance économique future du Manitoba. Les investissements en faveur de la recherche et de l'innovation ont un effet positif direct sur la productivité, la conservation des ressources et le niveau de vie.

Grâce au Fonds pour la recherche et l'innovation du Manitoba et à ses partenaires, des projets tels que le Centre Richardson de recherche sur les aliments fonctionnels et le Manitoba Breast Cancer Research Centre sont maintenant en activité. Le Budget 2005 poursuit sur cette lancée en augmentant le financement du Fonds.

Dépenses du gouvernement provincial consacrées à la recherche et au développement



Monsieur le Président, les recettes provenant de l'industrie biotechnologique du Manitoba ont augmenté de 76 % depuis 2002. Selon le rapport Ernst & Young 2004 sur le secteur des biotechnologies dans le monde, le Manitoba connaît la croissance la plus rapide du Canada dans ce domaine. Dans son édition de février 2005 consacrée aux endroits les plus favorables aux affaires, le magazine Canada West indique que le coût de la recherche et du développement dans le domaine biomédical est de 27 % moins élevé à Winnipeg qu'à Minneapolis.

Les sciences de la vie sont l'un des secteurs où la recherche et le développement sont les plus présents au Manitoba. On estime que 4 200 personnes travaillent dans ce secteur.

En 2004, le Centre canadien de lutte contre les maladies s'est installé au Manitoba et le premier administrateur en chef de la santé publique du Canada a établi son quartier général dans notre province.

Dans le cadre du Budget 2005, nous augmentons nos investissements dans l'innovation et la recherche :

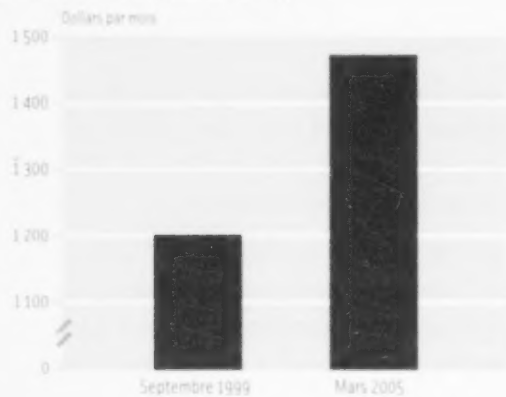
- en allouant un million de dollars à l'Institut de recherche clinique I.H. Asper;
- en prolongeant le mandat du Fonds de recherche et d'innovation du Manitoba jusqu'en 2010;
- en consacrant un million de dollars au Centre pour la commercialisation de la biotechnologie médicale du Conseil national de recherches;
- en accroissant le montant de la subvention de recherche accordée à l'Université du Manitoba afin d'appuyer l'industrie agricole de la province.

Les personnes d'abord

La ressource la plus précieuse du Manitoba est sa population. Nous avons continué à faire des investissements qui favorisent la sécurité, la santé, l'éducation et le bien-être des Manitobains et Manitobaines.

Au cours des cinq dernières années, nous avons mis des efforts considérables à établir de très solides partenariats entre le milieu des affaires, le monde du travail et les pouvoirs publics. Depuis les changements effectués à la Loi sur les relations du travail en l'an 2000, le nombre de journées perdues pour cause de grève ou de lock-out a chuté de 60 % et le taux d'accidents avec blessures a diminué de 19 %.

Prestations d'Aide au revenu – Parent seul, deux enfants (4 et 10 ans)



Source : Services à la famille et Logement Manitoba

Depuis notre arrivée au pouvoir, nous avons augmenté le salaire minimum de 21 %. La prochaine augmentation, qui portera le taux horaire à 7,25 \$, entrera en vigueur le 1er avril 2005.

Les augmentations régulières du salaire minimum constituent l'un des moyens d'appuyer les familles du Manitoba. Parmi les autres initiatives, mentionnons :

- le maintien des droits de scolarité modérés et la création de nouvelles bourses;
- le rétablissement intégral du Supplément de la prestation nationale pour enfants;
- des initiatives de développement économique communautaire telles que SEED Winnipeg;
- une stratégie de formation professionnelle ciblée;
- l'augmentation, pour la première fois depuis 1992, du taux des prestations d'aide au revenu;

- le rétablissement du financement des centres de ressources parents-enfants et des coalitions axées sur les parents et les enfants, un peu partout au Manitoba.

Selon Statistique Canada, il y a eu une diminution de 32 % du nombre d'assistés sociaux en 2003 par rapport à la période des cinq années précédentes – le nombre le plus bas en plus d'une décennie.

Afin de protéger des milliers de Manitobains et Manitobaines, nous comptons présenter, au cours de l'année 2005, une loi visant à régler les problèmes que l'on constate dans le secteur des prêts à très court terme.

Notre gouvernement a fait de la participation des Autochtones à l'économie du Manitoba une priorité. C'est pourquoi des programmes sont en cours pour faire en sorte que le plus grand nombre possible d'Autochtones et de résidents du Nord acquièrent les qualifications nécessaires pour travailler dans le cadre de projets d'immobilisations déjà prévus, tels que ceux relatifs à l'agrandissement du canal de dérivation de la rivière Rouge et aux centrales hydroélectriques du Nord.

La création d'entreprises autochtones est une condition fondamentale du développement économique des Autochtones au Manitoba. Le Conseil consultatif économique du premier ministre a parrainé un sommet portant sur le développement économique des Autochtones dans la province. Ce sommet a été couronné de succès et a débouché sur la création d'une nouvelle chambre de commerce autochtone, la première du Canada.

Monsieur le Président, des services de garde d'enfants de qualité font partie intégrante des dispositions visant à appuyer les familles.

En 2002, nous avons annoncé un plan quinquennal en matière de services de garde pour enfants. Quelque 24 000 Manitobains et Manitobaines ont été consultés lors de l'élaboration de ce plan exclusivement manitobain, qui prévoit la création de 5 000 places de garderie subventionnées ainsi qu'une augmentation des salaires, des possibilités de formation professionnelle et des allocations.

L'engagement résolu du Manitoba a servi d'exemple au gouvernement fédéral qui, dans son récent budget, s'est engagé à consacrer cinq milliards de dollars au secteur de la garde d'enfants à l'échelle nationale au cours des cinq prochaines années.

Le Budget 2005 n'intègre pas la contribution d'Ottawa, mais dès qu'une entente sera conclue, nous consacrerons toute subvention fédérale supplémentaire dans le domaine de la garde d'enfants à la réalisation du plan quinquennal. Cet investissement supplémentaire viendra renforcer un réseau de garderies qui compte déjà parmi les meilleurs du Canada.

Le financement anticipé de l'aide accordée au réseau de garderies du Manitoba nous a permis d'accomplir des progrès majeurs. Le financement des services de garde d'enfants a augmenté de 64 % et 3 500 nouvelles places de garderie subventionnées ont été créées depuis 1999.

Il est démontré depuis longtemps que de bonnes compétences parentales constituent le facteur le plus

déterminant pour le développement d'un enfant au cours des premières années de son existence.

Monsieur le Président, dans le cadre du Budget 2005, nous affecterons de nouveaux fonds à un programme reconnu à l'échelle internationale qui vise à aider les parents dans leur rôle éducatif et qui sera dévoilé dans quelques semaines.

Cette initiative poursuit sur la lancée d'Enfants en santé, notre programme innovateur axé sur le développement du jeune enfant.

Une part importante du Budget 2005 est consacrée aux besoins des Manitobains et Manitobaines les plus vulnérables, des enfants et des personnes âgées.

Fidèle à son objectif d'améliorer la vie en société des adultes handicapés mentaux, notre gouvernement investira 17 millions de dollars pour accroître l'aide à l'intégration communautaire. Depuis notre arrivée au pouvoir, le budget du Programme d'aide à la vie en société a plus que doublé, augmentant de 80 millions de dollars.

Grâce à l'extension des services de soins à domicile et à la construction de nouveaux foyers de soins personnels, les personnes qui ont besoin d'aide disposent aujourd'hui d'une plus grande variété de choix résidentiels. L'Assemblée législative a adopté de nouvelles lois pour mettre les personnes âgées à l'abri des fraudes et des mauvais traitements. Le programme d'intervention SécurAide a fourni une aide directe en matière de sécurité domiciliaire.

Au cours de l'année 2005, nous proposerons des changements législatifs visant à améliorer la protection des consommateurs dans les domaines des baux viagers et des copropriétés.

Un défi majeur s'impose à toute province en pleine croissance : faire en sorte que chaque Manitobain et chaque Manitobaine puissent tirer profit du dynamisme économique. C'est pourquoi nous continuons à lutter contre la pauvreté au Manitoba.

Nos tarifs d'assurance automobile, de services publics et de garde d'enfants sont tels que le coût de la vie dans notre province demeure le plus bas du Canada, un avantage pour tous les Manitobains et Manitobaines, en particulier les personnes à faible et à moyen revenu.

Les tarifs d'électricité du Manitoba sont parmi les plus bas en Amérique du Nord. Soucieux d'assurer l'égalité d'accès à cet important service, nous avons pris des dispositions législatives afin d'égaliser les tarifs d'électricité dans le Nord, dans les régions rurales et dans les villes, et cela à l'échelle de la province.

Les propriétaires et les locataires à faible revenu ont tiré parti de notre décision d'augmenter le crédit d'impôt foncier en matière d'éducation. Par ailleurs, les nouvelles majorations de crédit d'impôt et le nouvel allègement fiscal au profit des familles ont eu pour résultat d'exonérer plus de 15 000 Manitobains et Manitobaines à faible revenu de l'impôt sur le revenu.

Par l'entremise du Budget 2005, nous poursuivrons cet effort :

- en consacrant trois millions de dollars au nouveau programme intégré d'allocations-logement;
- en majorant de 20 % les prestations d'aide au revenu des résidents du Nord afin de contrebalancer le coût élevé des aliments sains dans cette région de la province.

Nous sommes également heureux d'annoncer le regroupement du programme Priorité aux bébés et du Programme d'intervention précoce dans un nouveau programme élargi appelé Les familles d'abord. Ce nouveau modèle tient compte des défis tels que la pauvreté, l'isolement et les obstacles linguistiques. Le programme Les familles d'abord facilitera l'accès aux services de visites à domicile, renforcera les relations parents-enfants et améliorera les résultats du développement des enfants.

Un Manitoba toujours compétitif

Le troisième pilier du Budget 2005 est la continuation de nos réductions d'impôt. Nous appuyons ainsi nos entreprises et nos industries et maintenons l'aspect compétitif du Manitoba.

Monsieur le Président, notre économie est forte. Nous pouvons nous vanter d'une fière éthique du travail, d'un esprit de collaboration, d'un profond bassin de compétences entrepreneuriales, et d'un remarquable leadership dans le domaine des affaires. La confluence de ces qualités constitue le fondement de notre

Plan stratégique de croissance économique du Manitoba

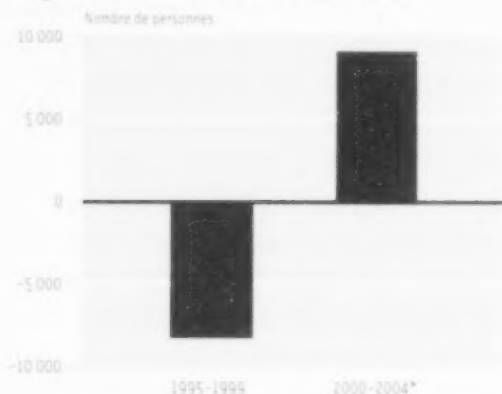
Le Plan stratégique de croissance économique du Manitoba est fondé sur des recommandations du Conseil consultatif économique du premier ministre. Ce plan, qui a été mis à jour pour 2005, a fait ses preuves et continue de caractériser l'approche manitobaine à long terme visant à créer un climat économique de croissance et de compétitivité qui soit durable et équitable.

Les sept points clés du Plan stratégique de croissance économique sont les suivants :

- L'éducation avant tout
- Bâtir au moyen de la recherche et de l'innovation
- Accroître et retenir les investissements
- Un gouvernement à la mesure de nos moyens
- Croître grâce à l'immigration
- Bâtir nos communautés
- Tirer parti de notre atout d'énergie propre

Ces points clés sont interdépendants. La recherche et l'innovation reposent sur une main-d'œuvre éduquée. Pour attirer les investissements et les immigrants, nos communautés doivent être gérées de façon abordable et efficace. Notre atout énergétique joue un rôle important afin d'assurer que toutes les parties de la province profitent équitablement du développement économique. Ce Budget reflète les priorités du Plan stratégique et continue à mettre en pratique les recommandations du Conseil consultatif économique du premier ministre.

Migration nette totale au Manitoba



*L'année 2004 ne comprend que les données des trois premiers trimestres.

Source : Statistique Canada

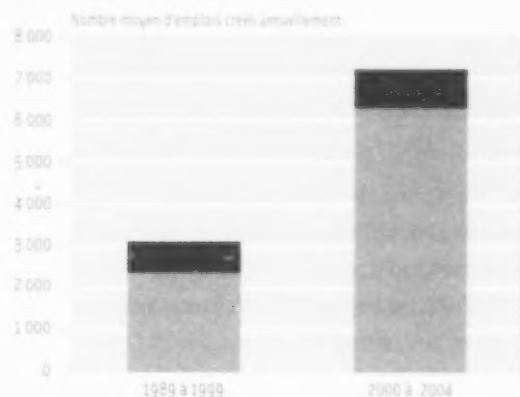
prospérité sociale et économique et explique la richesse de notre province.

Harmoniser les priorités des Manitobains et des Manitobaines, créer de nouvelles possibilités et investir dans l'avenir, tout cela suppose un plan économique, un plan à la fois équitable, durable et à long terme.

Nous poursuivons les sept points du Plan stratégique de croissance économique qu'a présenté le Conseil consultatif économique du premier ministre. Ce cadre d'action essentiel, dont les succès passés constituent le fondement, guidera nos décisions et permettra au Manitoba de demeurer une province forte et compétitive.

Un élément important du Plan stratégique est de poursuivre l'expansion de cette initiative exceptionnelle qu'est le programme des Candidats du Manitoba et

Création d'emplois



■ Nombre moyen d'emplois à temps partiel créés par année
 ■ Nombre moyen d'emplois à temps plein créés par année

Source : Statistique Canada

d'atteindre l'objectif que nous nous sommes fixé, soit l'établissement dans notre province de 10 000 nouveaux immigrants par année dès 2006.

Avec la collaboration du Conseil de l'immigration du Manitoba, nous visons à étendre la reconnaissance des diplômes et titres de compétences étrangers afin de permettre à un plus grand nombre de néo-Canadiens d'exercer les professions dans lesquelles ils ont acquis une formation.

Notre secteur culturel et artistique est diversifié et dynamique, et constitue un élément important des avantages du Manitoba. Nous sommes fiers de nos festivals, de nos expositions, de nos concerts et de nos diverses attractions, car tout cela contribue à la qualité de la vie chez nous.

Monsieur le Président, le Manitoba est au deuxième rang au Canada pour ce qui est du financement de la culture per capita. Nous poursuivons notre engagement dans ce secteur en augmentant d'un demi-million de dollars notre contribution au Conseil des Arts du Manitoba.

Grâce à notre investissement dans le secteur culturel, la production de films au Manitoba a représenté presque 97 millions de dollars pour notre industrie cinématographique l'an passé. De plus, notre province sera l'hôtesse en avril des prix Juno, un honneur dont nous nous réjouissons.

Notre Plan stratégique produit des résultats. Nous avons atteint l'an passé un niveau record d'emplois et d'investissements, et presque toutes les industries ont affiché des gains. Il y a également d'autres signes positifs :

- Notre croissance démographique est la plus forte en plus de 20 ans, y compris la migration nette tant interprovinciale qu'internationale.
- De plus en plus de jeunes choisissent de résider au Manitoba, et la migration nette a dépassé 1 100 jeunes en 2004.
- Grâce à notre promotion agressive des nombreux avantages de notre province, l'immigration internationale a doublé depuis 1999.
- Le nombre d'emplois s'est accru de 7 200 par année en moyenne depuis 1999, soit le double de la moyenne annuelle de la décennie précédente.
- La mise en chantier d'habitations s'est accrue de 73 % depuis l'an 2000.

- La valeur des habitations s'est accrue de 36 % depuis l'an 2000.
- Les investissements en immobilisations du secteur privé se sont accrus de un milliard de dollars depuis 1999, et l'on prévoit que cette augmentation va se poursuivre en 2005.

Monsieur le Président, le prix peu élevé des denrées agricoles et les obstacles au commerce transfrontalier ont eu des répercussions négatives incessantes sur l'économie rurale et sur les producteurs du Manitoba.

Une des initiatives importantes que nous avons prise pour aider nos producteurs à demeurer compétitifs fut d'accélérer la réalisation de notre programme de crédit de taxes scolaires pour les propriétaires de terres agricoles. Depuis décembre 2004, 23 000 chèques ont été émis aux agriculteurs du Manitoba.

Pour nos producteurs de bétail et d'autres ruminants, la frontière américaine demeure fermée. Devant cette situation, notre gouvernement prévoit deux millions de dollars de plus dans les Initiatives de développement économique rural pour appuyer les investissements en immobilisations dans le secteur de la transformation. Cette aide s'ajoute aux programmes existants.

Dans le Budget 2005, le Manitoba appuie également l'ensemble de l'industrie agricole en augmentant de 2,2 millions de dollars sa contribution au Programme canadien de stabilisation du revenu agricole. Tout en continuant d'appuyer l'industrie agroalimentaire, nous allons également accroître nos activités dans le domaine des produits à valeur ajoutée, y compris ceux que l'on retrouve sur le marché des aliments biologiques. Le Budget 2005 prévoit :

- une nouvelle assurance-récolte qui couvre les cultures biologiques comme l'avoine, le lin et toutes les variétés de blé;
- des ressources pour élaborer une stratégie relativement au secteur de la production biologique;
- la création d'un poste de spécialiste de la commercialisation dans ce domaine.

Dans le but de constamment améliorer les services au Manitoba rural, nous allons présenter les mesures législatives requises pour fusionner la Société du crédit agricole et la Société d'assurance-récolte du Manitoba en un seul organisme, la Société des services agricoles du Manitoba.

La Société d'assurance-récolte versera entre 175 et 200 millions de dollars aux agriculteurs de la province à titre d'indemnités pour les pertes de revenu encourues en 2004 à la suite de mauvaises récoltes. Pour compenser ce versement record, le gouvernement du Manitoba prélèvera 90 millions de dollars de la réserve de 320 millions de dollars du régime d'assurance-récolte.

Monsieur le Président, notre gouvernement est persuadé que tout investissement dans le Nord profite à l'ensemble de la province. Notre Stratégie de développement du Nord favorise la croissance économique dans cette région et une meilleure qualité de vie pour ceux et celles qui y habitent.

À cet égard, divers programmes, tels le partenariat entre le Manitoba et l'institut Forintek, favorisent le développement forestier, la création d'emplois et l'expansion des entreprises.

Le secteur minier demeure une force d'impulsion majeure du développement économique dans la région du Nord. Monsieur le Président, les demandes dans le cadre du Programme d'aide à l'exploration minière nous indiquent que les projets présentés au cours de 2004-2005 représentaient une dépense d'exploration minière de plus de 47 millions de dollars, soit un chiffre record.

Au cours de l'exercice 2005, le Bureau du commissaire aux incendies entreprendra un programme d'éducation et de formation en milieu communautaire à l'intention des pompiers bénévoles des communautés du Nord et des régions éloignées, afin de renouveler les compétences des bénévoles qui interviennent dans les situations d'urgence locales.

Avantages pour les entreprises

Dans le Budget 2005, notre gouvernement reconnaît qu'il y a au Manitoba un grand esprit d'entreprise. Notre économie diversifiée, la capacité innovatrice de nos gens et de nos entreprises, notre attitude générale de débrouillardise, tout cela fait de notre province un lieu intéressant où faire des affaires.

Monsieur le Président, les entreprises viennent au Manitoba pour de nombreuses raisons : des travailleurs instruits, un excellent réseau de voies de communication, une infrastructure d'information et de télécommunications d'avant-garde et, probablement l'un de nos plus grands avantages, les tarifs d'électricité les plus bas en Amérique du Nord. Notre système de soins de santé nous accorde également un avantage particulier sur le plan des affaires.

Une étude récente de la société KPMG a conclu que le Manitoba était l'un des meilleurs endroits en Amérique du Nord où faire des affaires. En fait, cette analyse comparative a placé Winnipeg au troisième rang des villes du Midwest en ce qui concerne le coût des affaires — devant Calgary, Houston, Salt Lake City et Phoenix.

Monsieur le Président, nous savons qu'il nous faut continuer de prendre toute mesure que nous pouvons nous permettre si nous voulons que le Manitoba continue d'être un milieu intéressant pour les entreprises.

Les taxes et impôts que payaient les entreprises en 1999 ont été réduits de 75 millions de dollars depuis cette date. Je suis heureux d'annoncer de nouvelles réductions d'impôt pour les entreprises. Lorsqu'elles auront été entièrement mises en œuvre, les mesures que nous annonçons aujourd'hui représenteront pour les entreprises du Manitoba une réduction d'impôt supplémentaire de 54 millions de dollars.

En 1999, le Manitoba avait le taux général d'impôt sur les bénéfices des sociétés le plus élevé au Canada, soit 17 %. Nous l'avons réduit quatre fois, le faisant descendre à 15 %. Nous annonçons aujourd'hui d'autres réductions : le taux passera à 14,5 % en 2006 et à 14 % en 2007. Ce taux a donc été réduit de 18 % par rapport à ce qu'il était en 1999 — ce qui est la continuation de la première diminution graduelle de cet impôt depuis la Deuxième Guerre mondiale.

Le taux d'imposition des petites entreprises sera réduit davantage. Monsieur le Président, ce taux était de 8 % en 1999 et le plafond des bénéfices admissibles à ce

taux d'imposition préférentiel était limité à 200 000 \$. À l'heure actuelle, le taux d'imposition est de 5 % et le plafond des bénéfices admissibles s'élève à 400 000 \$.

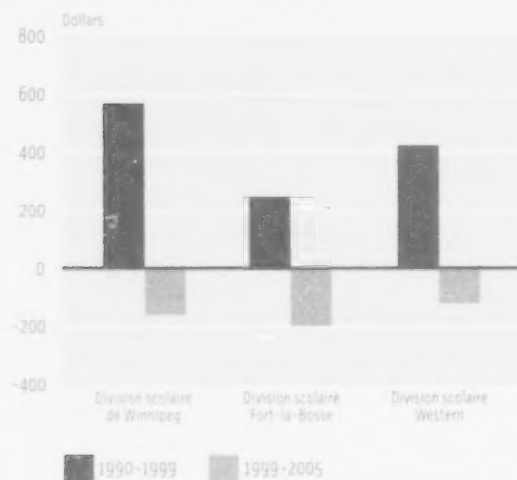
Le budget 2005 poursuit notre plan quinquennal d'allègement fiscal des petites entreprises. Nous annonçons aujourd'hui que leur taux d'imposition sera abaissé à 4,5 % en 2006, puis à 4 % en 2007. À ce moment-là, nous aurons réduit de moitié le taux d'imposition qui existait en 1999, et doublé le montant des bénéfices admissibles au taux d'imposition préférentiel. Jamais les petites entreprises n'ont bénéficié d'un contexte aussi favorable à la réussite.

Monsieur le Président, je suis heureux d'annoncer trois nouvelles initiatives d'appui aux entreprises de recherche et d'exportation du Manitoba :

- l'élargissement du champ d'application du crédit d'impôt à l'investissement manufacturier, afin d'y inclure les biens et le matériel usagé;
- l'amélioration du même crédit, afin que les producteurs manufacturiers puissent récupérer une partie de leur investissement plus tôt qu'auparavant;
- une augmentation du crédit d'impôt pour la recherche et le développement qui passe de 15 % à 20 %.

De plus, le Budget 2005 prolonge de trois ans le crédit d'impôt pour l'éducation coopérative, le crédit d'impôt pour l'expansion des entreprises dans les collectivités, et le crédit d'impôt à l'achat d'actions. Le Budget prévoit également l'amélioration du crédit d'impôt pour la production de films et de vidéos.

Changement de l'impôt foncier total en matière d'éducation pour une maison évaluée à 125 000 \$ en 2005



Note : Ce tableau reflète la somme des changements de la taxe spéciale, de la taxe d'aide à l'éducation et du crédit d'impôt foncier en matière d'éducation. Les taux par mille de la taxe spéciale pour 2005 sont préliminaires.

Source : Éducation, l'équité et le service Manitoba

Pour les familles, des taxes et des impôts moins élevés

Monsieur le Président, notre gouvernement s'est engagé à faire sa part pour que le coût de la vie au Manitoba demeure abordable pour nos familles.

Un de nos principaux points de mire a été la réduction des taxes et des impôts fonciers. Au cours des années 1990, ces taxes et impôts ont connu une hausse importante, alors que les crédits d'impôt foncier étaient réduits et que la taxe résidentielle d'aide à l'éducation ne changeait pas.

Avec notre Budget de l'an 2000, nous avons changé la direction des choses. Nous avons alors entrepris d'augmenter le crédit d'impôt foncier en matière d'éducation – une démarche en deux étapes qui permet maintenant aux contribuables d'épargner 53 millions de dollars chaque année.

Notre cible suivante a été la taxe résidentielle d'aide à l'éducation – l'une des deux taxes scolaires que doivent payer les propriétaires de maison. Nous avons promis d'éliminer cette taxe graduellement, et nous continuons de tenir notre promesse en annonçant aujourd'hui une réduction additionnelle de 30 millions de dollars, ce qui portera l'épargne fiscale annuelle à ce chapitre à 64 millions de dollars.

Monsieur le Président, il s'agit là d'un allègement considérable des taxes et impôts fonciers que doivent payer les propriétaires. Cette réduction additionnelle de 30 millions de dollars permettra à une famille moyenne résidant dans une maison de 125 000 \$ d'épargner environ 120 \$ par année. Au total, grâce aux réductions fiscales et aux majorations de crédits d'impôt que nous avons introduites chaque année, cette famille a réduit sa facture de taxes et d'impôts fonciers de 1 425 \$ depuis 2001.

Et, Monsieur le Président, notre démarche concernant les taxes et impôts fonciers ne s'arrête pas là. Non seulement nos producteurs agricoles ont-ils profité eux aussi de la majoration du crédit d'impôt foncier et de la réduction de la taxe d'aide à l'éducation, mais en plus, nous avons pris trois autres mesures qui vont plus loin que notre promesse de réduction fiscale :

- la valeur imposable des biens agricoles a été réduite, ce qui représente chaque année une épargne fiscale de sept millions de dollars pour les agriculteurs;
- le lancement d'un programme de remboursement de taxe en 2004 a eu comme résultat une réduction de 33 % des taxes scolaires relatives aux terres agricoles;
- en 2005, l'impôt foncier en matière d'éducation touchant les terres agricoles sera réduit de 50 %.

Au total, les familles du Manitoba paieront 142 millions de dollars de moins en 2005 que ce qu'elles auraient payé si nous avions suivi la route tracée au cours des années 1990.

Monsieur le Président, je suis heureux d'annoncer aujourd'hui d'autres réductions de l'impôt sur le revenu des particuliers. Depuis le Budget de l'an 2000, nous avons été au-delà de ce que nous avons promis à ce chapitre, et nous poursuivons nos efforts avec la mise en œuvre d'un plan à la mesure de nos moyens.

Je suis heureux d'annoncer que, le 1er janvier 2006, le taux d'imposition intermédiaire passera de 14 % à 13,5 %, ce qui représente pour les Manitobains et Manitobaines une épargne fiscale de 24 millions de dollars par année. Depuis 1999, ce taux d'imposition intermédiaire a été réduit de 19 %.

De plus, le 1er janvier 2006, le montant personnel de base sera augmenté de 100 \$, ce qui représente pour les contribuables une épargne fiscale de six millions de dollars et ce qui permettra d'enlever 2 000 Manitobains et Manitobaines à faible revenu du rôle d'imposition.

De plus, dans le but de favoriser une plus grande adhésion au processus politique, le crédit d'impôt pour contributions politiques sera majoré pour l'exercice 2005 et sera ainsi comparable au crédit fédéral de même nature.

Au total, le Budget 2005 permettra aux contribuables du Manitoba de réaliser une épargne fiscale de 80 millions de dollars par année, grâce à l'ensemble des réductions additionnelles annoncées aujourd'hui, au chapitre de l'impôt sur le revenu des particuliers et des taxes et impôts fonciers.

Monsieur le Président, depuis l'an 2000, l'impôt sur le revenu des particuliers a été réduit de 249 millions de dollars, et les taxes et impôts fonciers ont été réduits de 142 millions de dollars, pour une épargne fiscale totale de 391 millions de dollars. Les réductions fiscales accordées aux entreprises représentent un montant additionnel de 129 millions de dollars.

Il s'agit là de la réduction d'impôt la plus importante de l'histoire du Manitoba.

Épargner pour l'avenir

Notre plan financier est équilibré. Il est axé sur le choix d'investissements stratégiques, le respect de nos promesses en ce qui concerne les taxes et les impôts, et la réduction de la dette et de l'obligation découlant des régimes de retraite. Il comprend également un quatrième pilier : l'épargne pour l'avenir.

Monsieur le Président, aujourd'hui nous mettons de côté pour l'avenir en annonçant le versement d'un montant

État comparatif des recettes, des dépenses et des transferts, et solde budgétaire

2005-2006 et 2004-2005

	Budget 2005-2006	Prévisions 2004-2005	Budget 2004-2005	Écart positif/ (néga-tif) entre les prévisions 2004-2005 et le Budget 2005-2006		Écart positif/ (néga-tif) entre le Budget 2004-2005 et le Budget 2005-2006	
		(Millions de dollars)		(Millions de dollars)	%	(Millions de dollars)	%
Recettes							
Autonomes	5 381	5 286	5 206	95	1,8	175	3,4
Transferts fédéraux	2 796	2 918	2 447	-122	-4,2	349	14,3
Total des recettes	8 177	8 204	7 653	-27	0,3	524	6,8
Dépenses							
Programmes	7 795	7 554	7 315	241	3,2	480	6,6
Service de la dette non affecté ¹	269	237	239	32	13,5	30	12,6
Total des dépenses	8 064	7 791	7 554	273	3,5	510	6,8
Recettes nettes	113	413	99	-300		14	
Transferts interfonds							
Remboursement de la dette et de l'obligation découlant des régimes de retraite	-110	-99	-96	-11		-14	
Fonds de stabilisation des recettes	-	-	-	-		-	
Solde, conformément aux mesures législatives sur l'équilibre budgétaire	3	314	3	-311		-	

Note (1) - Le coût du service de la dette du Fonds de fonctionnement est de 354 millions de dollars, dont 85 millions sont affectés aux différents ministères relativement aux frais de possession des immobilisations corporelles qui les concernent.

historique de 314 millions de dollars dans le Fonds de stabilisation des recettes, que l'on appelle parfois « le fonds de réserve en cas d'imprévu », pour l'exercice 2004-2005. Selon nos prévisions, ce versement portera le solde du Fonds à 395 millions de dollars à compter du 31 mars 2005.

Je suis également heureux d'annoncer que le Budget 2005 ne prévoit aucun prélèvement du Fonds de stabilisation des recettes au cours de l'exercice 2005-2006.

Monsieur le Président, le Fonds est le compte d'épargne de la Province, une mesure de sauvegarde pour l'avenir. Au cours des dernières années, le Fonds a été utilisé pour faire face à des situations imprévues, telles que le ralentissement économique à la suite des événements du 11 septembre 2001. Le Fonds a également été utilisé pour assurer les versements de réduction de la dette et de l'obligation découlant des régimes de retraite, au cours d'années difficiles sur le plan budgétaire.

La reconstitution du fonds de réserve est une priorité. Elle est rendue possible, en partie, grâce à une hausse des paiements de péréquation pour l'exercice 2004-2005.

Il importe également de noter que ce versement de 314 millions de dollars inclut des fonds pour la réduction du temps d'attente relativement à certains services particuliers dans le domaine des soins de santé, conformément à l'engagement pris par les premiers ministres à leur réunion du mois de septembre. Ces fonds proviennent du gouvernement fédéral, à partir de son surplus pour l'exercice 2004-2005. Ils seront

échelonnés sur plusieurs années mais, en vertu des règles comptables de notre gouvernement, ils doivent être versés dans le Fonds de stabilisation des recettes en 2004-2005. Comme toujours, nous serons en mesure de rendre compte de chaque dollar reçu du gouvernement fédéral pour les soins de santé, et le Manitoba verra à ce que ces fonds servent aux fins prévues.

Monsieur le Président, notre versement de 314 millions de dollars se classe au deuxième rang en importance de tous les versements effectués depuis la création du Fonds de stabilisation des recettes il y a dix ans. Le seul versement plus grand a eu lieu en 1996-1997 lorsque le gouvernement de l'époque a vendu la Société de téléphone du Manitoba et versé le produit de la vente dans le Fonds.

Nous effectuerons ce versement sans vendre de société d'État, sans imposer de primes pour des soins de santé, et sans répudier notre engagement de réduire les taxes et impôts et de rembourser la dette, mesures auxquelles d'autres ont recouru par le passé et dans d'autres administrations gouvernementales dans le but d'équilibrer leur budget de fonctionnement.

La hausse des paiements de transfert fédéraux a évidemment contribué à la reconstitution du Fonds de stabilisation des recettes. Toutefois, dans le contexte du réexamen actuel du programme de péréquation, nous devons gérer le Fonds avec prudence, de manière à épargner pour l'avenir et à fournir les ressources qu'exigent nos domaines prioritaires, tels que les soins de santé.

Prévisions du budget sommaire à moyen terme

	2004- 2005pv	2005- 2006b	2006- 2007pj	2007- 2008pj ¹	2008- 2009pj ¹
Recettes	8 204	8 177	8 427	8 672	8 967
Dépenses	-7 791	-8 064	-8 343	-8 559	-8 854
Résultat du Fonds de fonctionnement	413	113	83	113	113
Transferts interfonds/Remboursement de la dette					
Versement de réduction de la dette	-99	-110	-110	-110	-110
Fonds de stabilisation des recettes	0	0	30	0	0
Solde conformément au MLEB / transfert au FSR	314	3	3	3	3
Fonds spéciaux (changements au solde)					
Fonds de remboursement de la dette	-180	27	28	29	30
Fonds de stabilisation des recettes	316	14	-14	17	17
Autres	-2	0	-2	-2	-2
Retraitements de consolidation	202				
Total des changements aux fonds spéciaux	336	41	12	44	46
Entreprises publiques et organisations de la Couronne					
Entreprises publiques					
Hydro-Manitoba	142	210	122	109	106
Société d'assurance publique du Manitoba	30	8	9	10	11
Corporation manitobaine des loteries	270	271	271	271	271
Société des alcools	185	187	192	196	201
Organismes de service spécial	14	12	12	12	12
Société d'assurance récolte du Manitoba et Société du crédit agricole du Manitoba	-86	-22	-19	-16	-14
Autres	79	50	50	50	50
Retraitements de consolidation	-472	-475	-479	-484	-489
Net - Entreprises publiques et organisations de la Couronne	161	242	157	149	149
Dépenses pour l'obligation non capitalisée	-196	-206	-214	-221	-223
Accroissement du Fonds d'amortissement des régimes de retraite	116	119	128	139	150
Net - Rubrique des pensions	-80	-87	-86	-82	-73
Recettes nettes consolidées (dépenses)	417	196	84	111	121

Les totaux peuvent varier en raison de l'arrondissement des chiffres.

pj - projection b - Budget pv - prévision FSR - Fonds de stabilisation des recettes MLEB - mesures législatives sur l'équilibre budgétaire

Note (1) - Deux premiers exercices utilisant le modèle du budget sommaire. Pour plus de renseignements, consulter le document budgétaire B.

Notre plan financier

Le Budget que nous présentons aujourd'hui prévoit un solde positif de trois millions de dollars et aucun prélèvement du Fonds de stabilisation des recettes. De plus, 110 millions de dollars sont consacrés au remboursement de la dette et à la réduction de l'obligation découlant des régimes de retraite.

Nous présentons maintenant notre cadre financier à moyen terme sous forme de sommaire. Il indique non seulement que la Province prévoit un excédent budgétaire de 417 millions de dollars dans le budget sommaire pour l'exercice 2004-2005, mais également qu'il y aura à moyen terme des soldes positifs dans les budgets sommaires, et ceci dans le respect des mesures législatives se rapportant à l'équilibre budgétaire.

Pour l'exercice 2005-2006, notre Budget reflète l'augmentation des paiements de péréquation transmis par le gouvernement fédéral, et des transferts fédéraux plus importants dans le domaine des soins de santé. L'appui fédéral accru résulte en un niveau de dépenses plus élevé que les années précédentes pour la santé et pour d'autres programmes essentiels.

De façon générale, le Budget des dépenses de cette année indique une hausse de 3,5 % par rapport à 2003-2004, selon les prévisions actuelles. Au cours de la période des cinq dernières années, l'augmentation annuelle moyenne des dépenses totales a été de 3,7 %, alors qu'elle était de 3,6 % au cours de la période des cinq années précédentes.

Le Budget 2005 inaugure notre programme d'application intégrale des principes comptables généralement reconnus, en vue d'arriver en 2007-2008 à la production d'états récapitulatifs et de budgets sommaires marqués par leur intégralité. Nous accordons également une plus grande visibilité aux prévisions du budget sommaire dans les documents d'accompagnement du Discours du Budget.

Conclusion

Le Budget 2005 est un budget pour tous les Manitobains et Manitobaines.

Monsieur le Président, les Manitobains nous ont dit quelles étaient leurs priorités : la facilité d'accès aux soins de santé, la salubrité de l'eau, la qualité de l'éducation, l'amélioration des routes. Le Budget 2005 répond à ces attentes, tout en réduisant les taxes et les impôts, en réduisant la dette et en assurant notre avenir par l'épargne d'aujourd'hui.

Les quatre piliers du Budget 2005 représentent un fondement sûr et solide, symbole pour le Manitoba de croissance, de compétitivité et d'inclusion.

En harmonisant les priorités, en créant de nouvelles possibilités et en investissant dans l'avenir, les Manitobains et Manitobaines peuvent envisager l'avenir avec confiance et avec optimisme.



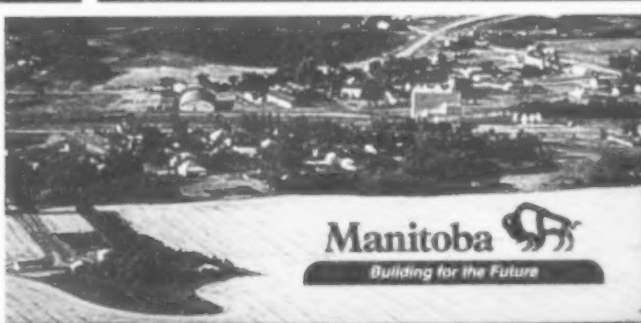




BUDGET PAPERS

MANITOBA BUDGET 2005

BALANCING PRIORITIES. BUILDING OPPORTUNITIES. INVESTING IN TOMORROW.



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The 2005 Manitoba Budget

Budget Papers

The Honourable Gregory F. Selinger

Minister of Finance

March 8, 2005

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The 2005 Manitoba Budget Address
2005 Estimates of Expenditure
2005 Estimates of Revenue
2005 Manitoba Advantage
2005 Addressing Poverty in Manitoba
Manitoba's Action Strategy for Economic Growth
the latest Quarterly Financial Report and
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THE 2005 MANITOBA BUDGET

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Also available in English and in French:

The 2005 Manitoba Budget Address

Manitoba's Action Strategy for Economic Growth

The Manitoba Advantage and Addressing Poverty in Manitoba
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Manitoba 

Budget Paper A

**THE
ECONOMY**

THE ECONOMY

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CANADIAN ECONOMY

The Canadian economy grew 2.8% in 2004, up from the 2.0% increase posted in 2003 (see Chart 1). Nominal GDP increased by 6.1% to \$1.3 trillion.

Economic growth in 2004 was constrained by the continuing appreciation of the Canadian currency relative to the United States dollar. While the Canadian dollar slipped in value against its U.S. counterpart through the first five months of 2004, it appreciated significantly through the latter half of the year. In November, the Canadian dollar traded as high as U.S.\$0.85 before settling back into the U.S.\$0.81-0.82 range in December. The appreciation of the Canadian dollar last year follows a 20% increase in the value of the dollar in 2003. Overall, the Canadian dollar appreciated by about 30% between the beginning of 2003 and the end of 2004 (see Chart 2).

The higher-valued Canadian dollar increased competitive pressure on Canadian firms. This is because U.S. goods and services entering Canada became cheaper relative to domestically produced goods and services; likewise, Canadian goods and services entering the U.S. market became less competitive against U.S. products. The effect was felt most significantly in the manufacturing sector, where the good performance in the first half of the year weakened in the latter half of the year. Overall, the real value of Canadian exports to the U.S. declined in the last two quarters of 2004.

The U.S. remains Canada's largest trading partner, responsible for 85% of the market for Canadian merchandise exports and accounting for approximately 60% of the imports into Canada. U.S. exports are a significant factor in Canada's overall economy, equal to about 25% of Canada's GDP.

Chart 1
Real Gross Domestic Product
At Market Prices

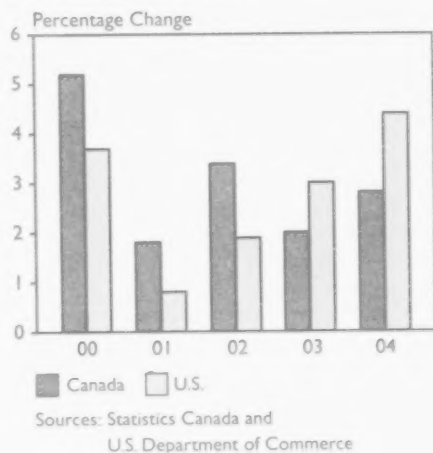
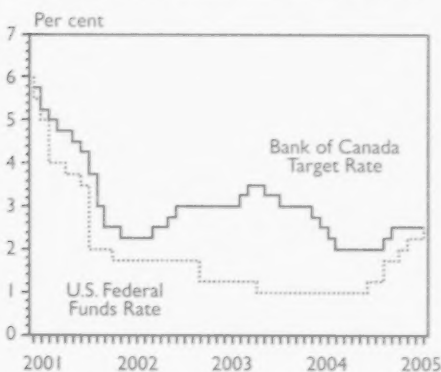


Chart 2
Canada and U.S. Exchange Rate,
January 2002 to February 2005



Chart 3
Canada and U.S. Interest Rates



Source: Bank of Canada

*Manitoba Finance's survey
of private economic forecasts
shows CPI is expected to
remain well within the
Bank of Canada's
1-3% inflation target range
for the next two years.*

While the stronger dollar acted as a drag on Canadian economic growth last year, Canadian producers of many primary products enjoyed strong market conditions. Helped by strong demand from China, prices for copper, lead and zinc increased by more than a third as base metal prices increased to a 15-year high in late 2004. Oil prices jumped by 34%, aluminum prices advanced 23% and lumber prices rose 14%.

The Bank of Canada changed the course of monetary policy last year, first increasing, and then reducing, monetary stimulus. In the face of apparent economic weakness, the Bank cut the overnight target rate from 2.75% at the beginning of 2004 to 2.0% by early April (see Chart 3). The Bank then held the rate at this very low level for five consecutive months from April through to the beginning of September. Starting in early September, the Bank implemented two consecutive rate hikes for a total increase of 50 basis points. The Bank's move to tighten rates was in response to a strengthening economy through the first half of the year. However, as it became evident that considerable slack remained in the Canadian economy later in 2004, the Bank adopted a more neutral stance. Nevertheless, policy target interest rates in March 2005 are 50 basis points higher than they were 11 months ago.

The Bank's monetary policy report update from January 2005 indicated that the more neutral stance will likely continue through the first part of 2005. The Bank reported that inflationary pressure in Canada was under control and that any further easing of monetary stimulus was not likely in the near future.

Despite significant price increases for many major commodities last year, consumer price inflation remained relatively benign. The overall Consumer Price Index (CPI) increased 1.9%, down from 2.8% in 2003, and the lowest average annual

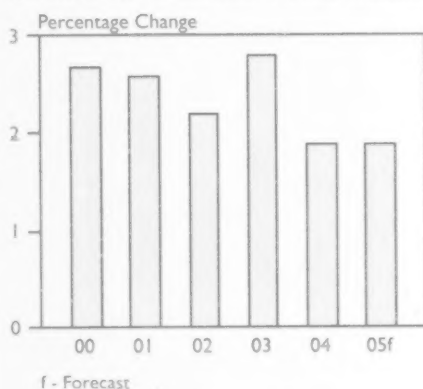
increase since 1999 (see Chart 4). While the energy component of the national CPI increased 6.7%, core CPI (consumer prices excluding food and energy) increased only 1.2%. This was the lowest annual increase in core CPI since 1994. Prices for many import-intensive goods actually declined last year; these declines, in part associated with the stronger Canadian currency, are credited with keeping prices for many consumer goods in check.

Manitoba Finance's survey of private economic forecasts shows CPI is expected to remain well within the Bank of Canada's 1-3% inflation target range for the next two years. For 2005, CPI growth is forecast at 1.9%. For 2006, CPI growth is projected to increase 1.8%. Similarly, the Bank of Canada currently predicts that CPI inflation will average 1.5% in the first half of 2005, rising gradually to about 2% by the end of 2006.

Employment growth slowed to 1.8% last year, below the annual increases in 2002 and 2003. The unemployment rate declined from 7.6% to 7.2%, the same level as 2001. With the stronger labour market, both the employment rate and the labour force participation rate increased last year. The survey of private economic forecasts shows that Canada's employment is expected to grow 1.5% in 2005 and 1.6% in 2006. The national unemployment rate is projected to decline to 7.1% this year and to fall to 7.0% in 2006.

After growing by 2.8% in 2004, Manitoba Finance's survey of private forecasts shows that Canada's real GDP is projected to increase by 3.0% in 2005 and 2006. Nominal GDP is expected to grow in 2005 and 2006 by 4.2% and 5.1%, respectively. Considerable risks remain for the Canadian economy in 2005, including adverse economic consequences of a further appreciation of the Canadian currency, the evolution of oil prices and possible changes to the pace of expansion in the economies of the U.S. and China.

Chart 4

Canada Consumer Price Index

Sources: 2000-2004: Statistics Canada

2005: average of economic forecasters

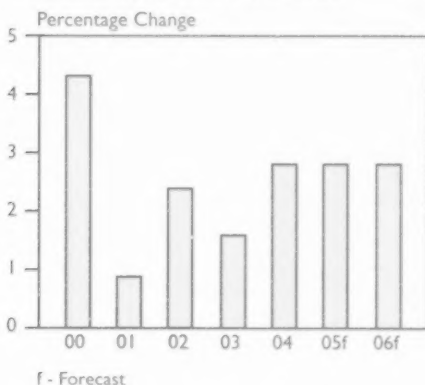
Canada Forecast Summary, 2005 and 2006

	Percentage Change	
	2005	2006
Gross Domestic Product	4.2	5.1
Real Gross Domestic Product	3.0	3.0
Consumer Price Index	1.9	1.8
Employment	1.5	1.6
Unemployment Rate (%)	7.1	7.0

Source: average of economic forecasters

Chart 5

Manitoba Real Gross Domestic Product

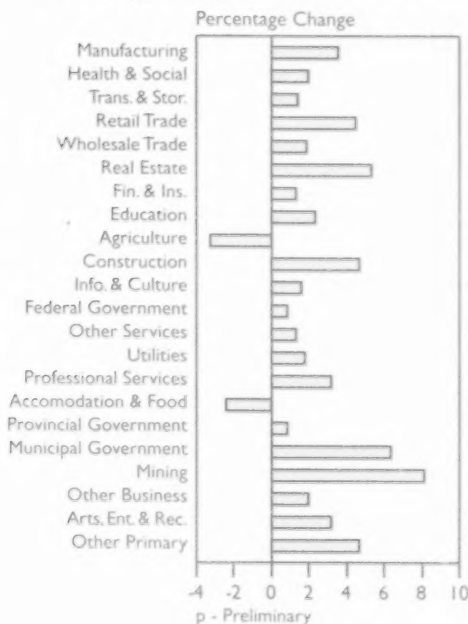


Sources: 2000-2004: Statistics Canada

2005-2006: average of economic forecasters

Chart 6

Manitoba Real Gross Domestic Product, at Basic Prices by Industry, 2004p



Note: ranked by size in descending order

Source: Manitoba Bureau of Statistics

MANITOBA ECONOMY

Manitoba's real GDP growth in 2004 was 2.8%, up from the 1.6% increase of 2003 and the strongest real GDP increase since the 4.3% gain posted in 2000 (see Chart 5). Nominal GDP grew 5.5% to \$40.2 billion.

The largest category of real provincial expenditure, personal spending, increased by 2.6% based on solid consumer spending growth. Government expenditure increased by 2.8%. Total business investment rose 5.8% as machinery and equipment spending increased by 4.0%, and strong housing markets propelled residential construction investment to a 14.5% gain. The value of real exports to foreign markets grew 4.3%, the strongest increase since 1998.

Total personal income in Manitoba grew 4.1%, up from a 2.5% gain in 2003. Personal disposable income increased 4.4%, also up from a 2.5% increase posted in 2003.

By industry, GDP growth in the goods-producing sector was led by mining, which grew by 8.1% in real terms, and construction, which posted a 4.7% increase. Real estate and retail trade led real growth in services with increases of 5.3% and 4.5%, respectively (see Chart 6). Only two industries declined: real GDP in agriculture fell 3.2% due to a weaker harvest in 2004 and lower cattle and calves production associated with the U.S. ban on ruminant imports; and accommodation and food services, which declined 2.4%, was adversely affected by a number of factors, including weaker tourism spending related to the stronger Canadian dollar.

Manitoba employment grew 0.9% last year as full-time employment growth offset part-time employment declines. Manitoba's unemployment rate increased 0.3 percentage points to 5.3%, but remained well below the national average and was second-lowest among provinces. Both the labour force participation rate and employment rate increased in 2004.

Manitoba Real Gross Domestic Product at Basic Prices by Industry, 2003 and 2004p

(Millions of Chained 1997 Dollars)

	2003	2004p	Percentage Change
Goods	8,402	8,619	2.6
Agriculture	1,589	1,538	-3.2
Mining	508	549	8.1
Other Primary	77	81	4.7
Manufacturing	3,906	4,046	3.6
Construction	1,449	1,517	4.7
Utilities	871	887	1.8
Services	23,598	24,158	2.4
Transportation & Storage	2,144	2,174	1.4
Information & Culture	1,187	1,206	1.6
Wholesale Trade	2,091	2,131	1.9
Retail Trade	2,057	2,149	4.5
Finance & Insurance	1,703	1,725	1.3
Real Estate	1,869	1,969	5.3
Imputed Rent	2,892	2,970	2.7
Professional Services	807	833	3.2
Other Business Services	488	498	2.0
Federal Government	986	995	0.9
Provincial Government	683	689	0.9
Municipal Government	558	594	6.4
Education	1,615	1,654	2.4
Health & Social Services	2,477	2,528	2.0
Arts, Entertainment & Recreational Services	321	331	3.2
Accommodation & Food	793	774	-2.4
Other Services	926	938	1.3
Real GDP at Basic Prices	31,871	32,778	2.8

p - Preliminary

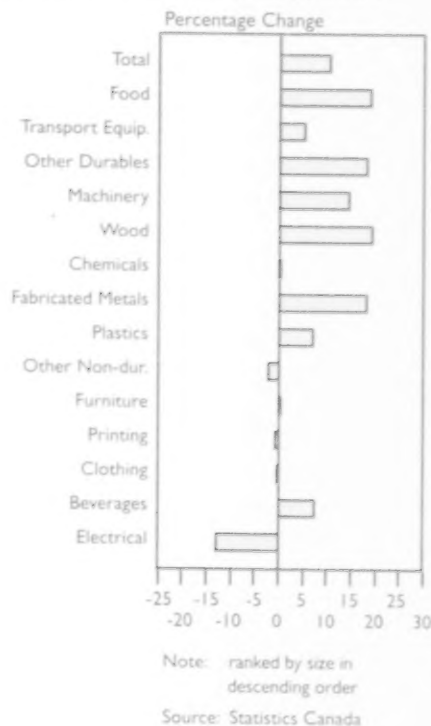
Source: Manitoba Bureau of Statistics

Manitoba's population at October 1, 2004, was estimated at 1,173,200. Between this date and October 1, 2003, Manitoba's total population grew by 10,161, or 0.87%. This was Manitoba's strongest population growth since 1985. Last year was the third consecutive year of net population growth through migration. The total net migration to Manitoba of 6,485 was the highest level recorded

"Manitoba continues to benefit from a diverse economy. Diversity has helped Manitoba avoid the volatility associated with specific local industries."

Moody's Investors Service
November 2004

Chart 7
Manitoba Manufacturing Shipments by Industry, 2004



in modern times.

Manitoba's consumer price inflation remained moderate in 2004. Total CPI increased 2.0%, just above the national increase of 1.9%. Like at the national level, the stronger Canadian dollar relative to the U.S. currency helped contain Manitoba's consumer prices, offsetting some of the increases in energy prices through lower prices for import-intensive goods and services. Manitoba's CPI energy subcomponent rose 7.3% in 2004. This was the largest annual increase in the energy subcomponent since 2000 and is attributable to large increases in gasoline prices. Related to higher costs for fuels, transportation costs rose 3.6%. Recreation, education and reading declined 0.3%, while prices for clothing and footwear fell 1.2%, the third price decline in four years. Household operations and furnishing costs remained under control with a 1.2% increase. Food prices increased 2.5%.

■ Manufacturing

Manitoba manufacturing shipments rose 10.4% in 2004 to \$12.6 billion, ahead of the national increase of 8.4%. This was a significant improvement from 2003, when a number of factors, including weak market conditions in the U.S. and strong increases in the value of the Canadian currency relative to the U.S. dollar, combined to limit Manitoba's shipments growth to just 1.3%.

While the magnitude of the manufacturing shipments increase in Manitoba was large, the breadth of the gains across individual manufacturing industry categories was also significant. Shipments in 10 of 14 industry categories were up in 2004. Of the four manufacturing industries that declined last year, two declined by less than 1% (see Chart 7).

Manitoba's manufacturing industries growth was led by the largest sector, food processing. Food shipments increased by 18.8%, or \$461 million. Shipments of wood products increased by 19%, fabricated metals by 18% and machinery by

14.3%. Declines were led by a 12.7% fall in electrical equipment shipments (the fourth annual decline in this manufacturing category) and a 2.1% reduction in other non-durables.

In line with the strong performance in manufacturing shipments, Manitoba manufacturers posted significant gains in foreign exports. Manufacturing exports reached a record high level in 2004 of \$6.4 billion. Total manufacturing exports rose by 6.7%, led by increases in machinery (17.1%), wood products (15.4%), fabricated metals (12.6%) and primary metals (10.7%).

Manufacturing employment rose 0.3% last year, just behind the national increase of 0.6%. Manufacturing employment averaged 69,100 in 2004. As in Canada, manufacturing employment in Manitoba has been relatively stable over the past four years.

Manufacturing is Manitoba's largest industry, accounting for 12.3% of Manitoba's real GDP. The majority of Manitoba's manufactured goods are exported. These exports include a diverse mix of industrial and consumer goods, including buses, furniture, food products, newsprint, pharmaceuticals, aerospace products, printing, agricultural machinery and industrial chemicals. Manufactured goods account for about two-thirds of total foreign merchandise exports.

■ Agriculture

Despite a number of setbacks in agriculture in 2004, total farm cash receipts in Manitoba rose 8.8%, the second-strongest growth among provinces. The level of receipts matches the all-time high established in 2002 (see Chart 8).

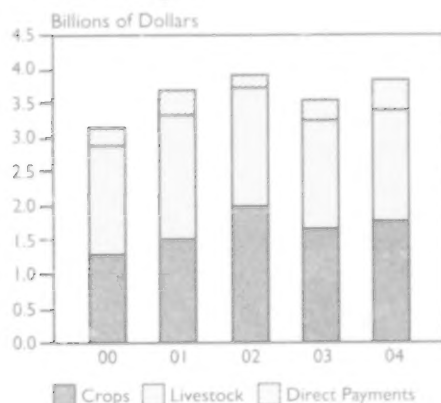
The most significant factor in raising farm cash receipts in 2004 was direct payments, or non-market support payments to producers, which increased by 48.9%. Over the past two years, these payments – related to support arising from weak

Manufacturing Exports, Major Growth Categories, 1996-2004

	Percentage Change
Printing & Publishing.....	295.3
Chemicals.....	292.9
Wood.....	220.3
Primary Metals.....	168.5
Plastics.....	136.9
Fabricated Metals.....	126.3
Food.....	108.3

Source: Statistics Canada

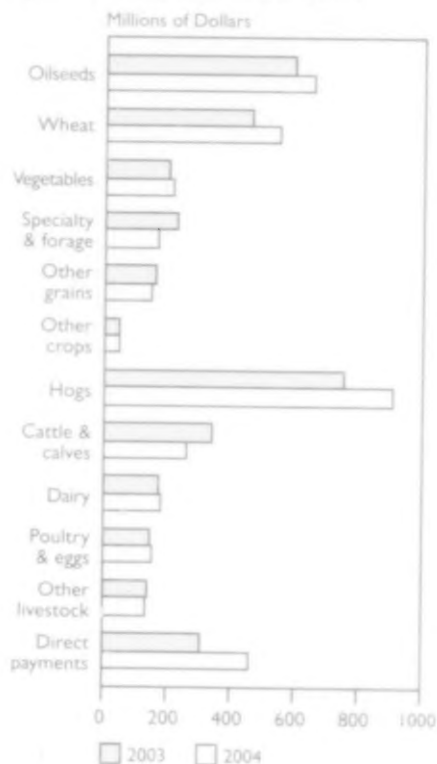
Chart 8
**Manitoba Farm
Cash Receipts**



Source: Statistics Canada

Chart 9

Manitoba Farm Cash Receipts by Product, 2003 and 2004



Source: Statistics Canada

harvest conditions and U.S. restrictions on cattle imports – increased by 109% to \$458.7 million. Increased payments occurred under the crop insurance program, Net Income Stabilization Accounts (NISA) program and payments made in support of bovine spongiform encephalopathy (BSE) recovery programs.

Livestock receipts, which account for approximately 48% of Manitoba's market cash receipts, increased by 4.6% (see Chart 9). Hog receipts increased by 19.9% to \$904 million. Hog receipts reflect the significant growth in this industry in Manitoba, and have doubled in the last five years.

Receipts from cattle and calves continued to slide in the face of continued U.S. restrictions on cattle imports from Canada.

On May 20, 2003, the Canadian Food Inspection Agency (CFIA) announced that tests had confirmed that a case of BSE had been found in a single beef cow in the province of Alberta. The inspection system prevented the meat from entering the food chain. More than 2,700 animals were destroyed and tested as part of the CFIA's investigation; all test results for BSE were negative and the investigation did not identify any additional cases. However, the United States Department of Agriculture (USDA) placed Canada under BSE restriction guidelines and announced that it would not accept any live ruminants (cattle, sheep and certain other hoofed animals) or ruminant products from Canada pending further investigation. Several other countries also imposed import restrictions. On August 8, 2003, the USDA announced that it would begin to accept applications for import permits for certain boneless ruminant products, including boneless bovine meat from cattle under 30 months of age. Several other countries followed the U.S. and are allowing the import of certain Canadian beef products. However, the Canada-U.S. border remains closed to live ruminants and other ruminant products.

On December 29, 2004, the USDA announced that young live cattle from Canada younger than 30 months of age, beef from animals over 30 months of age and certain other animals and products, would be allowed across the border into the United States beginning March 7, 2005. However, on March 2, 2005 a U.S. court injunction was granted delaying the implementation of the USDA decision.

Overall, cattle receipts (excluding direct payments) declined 24.8% in 2004 after a 38.7% decrease in 2003 (see Chart 10). Cattle and calves receipts stood at less than half the level received in 2001, and were at their lowest levels since 1983.

Eggs, poultry and dairy products comprise 20% of total livestock receipts. In 2004, receipts from these products reached \$328 million, an all-time high level.

While actual production of crops in Manitoba suffered due to cool and wet weather conditions, crop producers drew down inventory in 2004 as overall receipts from crops advanced 5.4%. Wheat receipts advanced 18.8% while receipts from oilseeds rose by 10.3%. Receipts for vegetables and horticulture products increased by 6.4%. The effects of the weaker prairie harvest will continue to be reflected in income statistics into 2005.

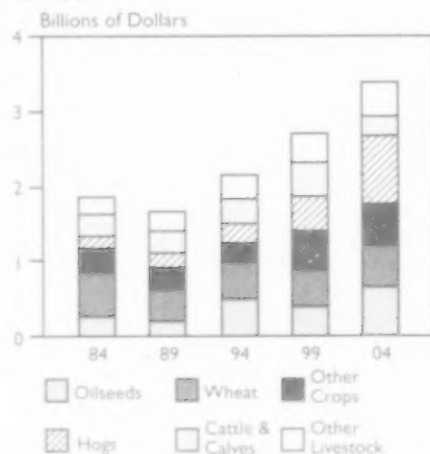
Manitoba agriculture exports account for 23.2% of total foreign merchandise exports. In 2004, agriculture exports increased 10.3% with strong gains in hogs and crops exports.

■ Minerals

Manitoba's mining industry enjoyed strong market conditions in 2004. Demand of minerals kept prices high throughout the year as robust industrial production in China and several other foreign markets buoyed markets for many metals.

Nickel accounts for about half of mineral production in the province, and Manitoba produces

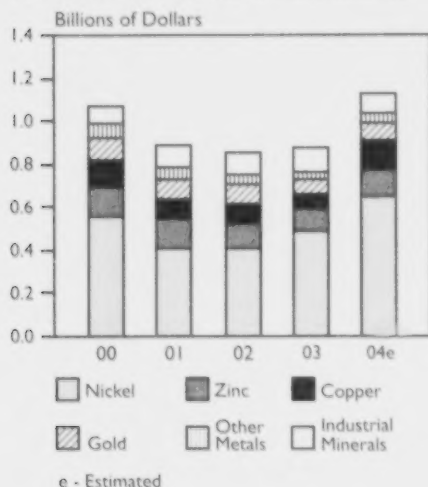
Chart 10
**Manitoba Market Receipts
by Type**



Source: Statistics Canada

*Hog receipts reflect
the significant growth
in this industry in Manitoba,
and have doubled in the
last five years.*

Chart 11
Manitoba Mineral Production



Source: Natural Resources Canada

Helped by strong demand from China, prices for copper, lead and zinc increased by more than a third as base metal prices increased to a 15-year high in late 2004.

about one-quarter of the nickel mined in Canada. In 2004, the value of nickel production reached \$590 million through November, a 35% increase relative to the same period in 2003 (see Chart 11). Nickel prices were strong through 2004, with all of the increased value of nickel production last year due to higher prices. Used mainly for stainless steel production, nickel markets benefited from a 22% increased in demand for nickel in China last year. World nickel prices averaged U.S.\$6.28 per pound in 2004, the highest average annual price in history.

The growth in the value of most mineral products produced in Manitoba last year reflected both stronger volumes and prices. The value of copper produced rose 112% relative to the same period in 2003, as the 2004 price for copper averaged 50% higher than 2003, and the volume of production increased by about 40%. Copper prices recently reached their highest level since 1989, as strong demand from China combined with low world copper inventories to drive up price levels.

The value of zinc production through November 2004 increased 36% from the same period in 2003. This large increase reflected a 13% increase in the average price and a 21% increase in production volumes. As with most other metals, strong growth demand from China – an increase of 20-25% last year – propelled prices higher.

The value of gold production through November 2004 increased 18%. Gold prices were up almost 4% last year, while increased production volumes accounted for the bulk of the increased value of gold output in the province.

There was one mine closure in Manitoba last year. Early in 2005, the owners of the New Britannia gold mine in Snow Lake announced that the mining operation would be placed in care and maintenance mode and that regular mining operation at the facility would cease.

Manitoba's petroleum industry posted a good performance in 2004. The value of production last year is estimated at \$195 million. In 2004, 119 wells were drilled, the highest number since 1986. This industry directly employs about 350 Manitobans. Production is concentrated in the southwest corner of the province with 1,490 producing wells and 14 designated producing fields.

Mineral exploration expenditures last year increased by 20% to \$32.6 million. Strong growth in exploration spending on precious metals and diamonds was responsible for the robust increase.

■ Hydro-Electricity

Manitoba Hydro is Manitoba's largest utility and accounts for virtually all electricity generation, transmission and distribution in the province. Almost all of Manitoba Hydro's electricity is produced by water, a renewable source of energy. Currently, Manitoba Hydro has a generating capability of more than 5,000 megawatts, with a further potentially economical hydro generating capacity of about 5,000 megawatts.

After two years of significant declines in sales associated with the effects of low water-flows on generating capability, Manitoba Hydro's electricity sales increased 11.9% in calendar year 2004 to \$1.4 billion (see Chart 13). 2004 was the second-strongest calendar year of energy sales recorded. The increase was due to the recovery of sales in both Manitoba and out-of-province markets, and reflected higher precipitation in the Hudson Bay drainage basin and, consequently, more normal water flow for hydraulic generation.

The value of Manitoba electricity sales, which accounted for 66.0% of the total, increased 4.9% in 2004. Total gross exports, which accounted for the remainder of sales, increased by 28.3% after declining for two years. The value of export sales had more than doubled between 1997 and 2001, driven

Chart 12

Manitoba Mining Investment

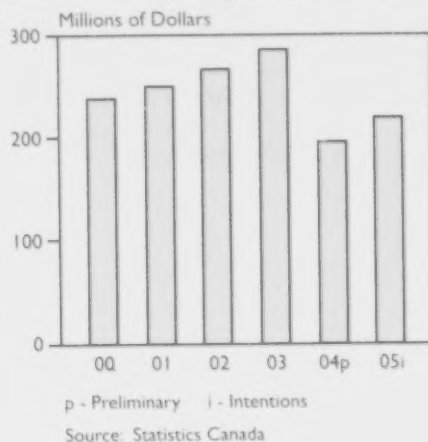
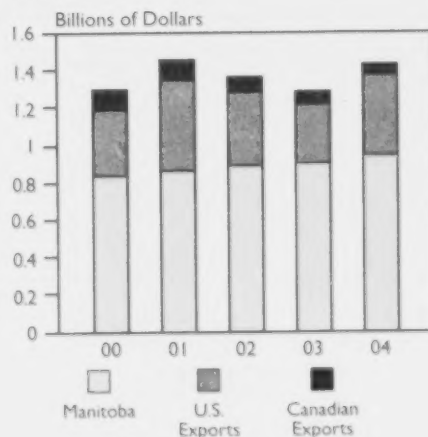


Chart 13

Manitoba Hydro-Electricity Sales



Almost all of Manitoba Hydro's electricity is produced by water, a renewable source of energy.

Manitoba Hydro Generating Stations

Station	River	MW
Limestone	Nelson	1,340
Kettle	Nelson	1,220
Long Spruce	Nelson	1,010
Grand Rapids	Saskatchewan	479
Kelsey	Nelson	223
Seven Sisters	Winnipeg	165
Jenpeg	Nelson	132
Great Falls	Winnipeg	131
Pine Falls	Winnipeg	88
Pointe du Bois	Winnipeg	78
Slave Falls	Winnipeg	67
McArthur Falls	Winnipeg	55
Laurie River I & II	Laurie	10
Hydraulic Capacity		4,998
Thermal Stations		473
Total System		5,471

Source: Manitoba Hydro

by strong increases in exports to the United States and good water flows. The U.S. is the major market for Manitoba's electricity exports. The U.S. accounts for about 87% of total out-of-province sales.

Manitoba Hydro is currently working closely with Northern Aboriginal communities in respect of potential new generating facilities. Two such facilities are under active consideration. The proposed Wuskwatim generating station would be built on the Burntwood River in Northern Manitoba and would generate 200 megawatts of power, with the earliest in-service date being 2010. The Gull (Keeyask) generating facility is another potential generating site. The Gull station would produce about 620 megawatts of power. Construction of the Gull facility, which would be located on the Nelson River near Gillam, also requires the construction of a transmission line to deliver power to Southern Manitoba. The combined cost of these two generating projects, as well as the required transmission facilities, is approximately \$4 billion.

Another option under active consideration is the development of the Conawapa site. This 1,250-megawatt generating facility project would be similar in magnitude to Manitoba's Limestone facility, currently the largest single generating station in the province. This project would assist in meeting the needs of out-of-province customers who would contract for the delivery of power from Manitoba Hydro.

In December 2004, construction began on a new 99-megawatt wind energy project near St. Leon. The \$187 million project will take advantage of Manitoba's world-class wind energy capabilities and was facilitated by a 20-year power purchase agreement with Manitoba Hydro. By the end of 2005, 63 new wind turbine generators will be installed at what will become one of Canada's largest wind farms.

Manitoba Hydro continues to strengthen its position as a leader among Canadian utilities in

voluntarily reducing greenhouse gas emissions. In the future, Manitoba Hydro is prepared to play an increasingly important role in meeting more of North America's electrical energy needs through environmentally desirable hydro-electric resources. In so doing, it will contribute to the reduction of global greenhouse gas emissions.

■ Housing

The housing industry continued a robust performance in 2004. Strong population growth, rapid household formation and low mortgage rates combined to push up the demand for housing. The total number of housing starts increased 5.6% last year, bringing the increase in starts since 2000 to 73% (see Chart 14).

Single-family housing starts increased 10.1% to 3,484 units. This was the fifth consecutive annual increase in single-family starts and brought the number of starts to its highest level since 1988. Winnipeg single-family starts increased 14.7%, the sixth consecutive annual increase.

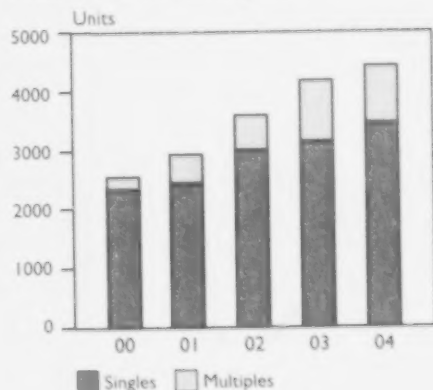
Multiple dwelling starts (apartments, duplexes etc.) declined 8.2%. The 956 units recorded in 2004 was still the second-highest number of multiple starts in the past 15 years.

In its February 2005 forecast, Canada Mortgage and Housing Corporation (CMHC) forecast that Manitoba's housing starts will dip slightly in 2005, from 4,440 units to 4,400 units. For 2006, as population continues to grow with stronger immigration, CMHC forecasts Manitoba's housing starts will grow by a further 9.1% to 4,800.

CMHC reports that total residential resales in Manitoba grew by 5% in 2004, though supply constraints continued to restrict resale activity. CMHC projects that MLS home sales will grow by 7.5% in 2005 and 6.2% in 2006.

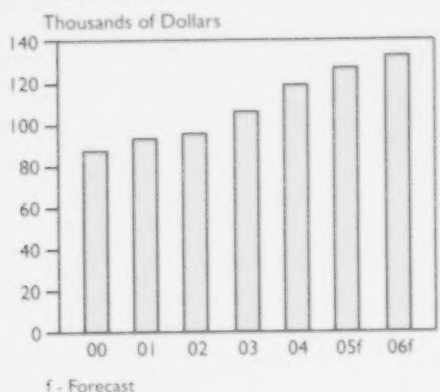
Winnipeg single-family starts increased 14.7%, the sixth consecutive annual increase.

Chart 14
Manitoba Housing Starts



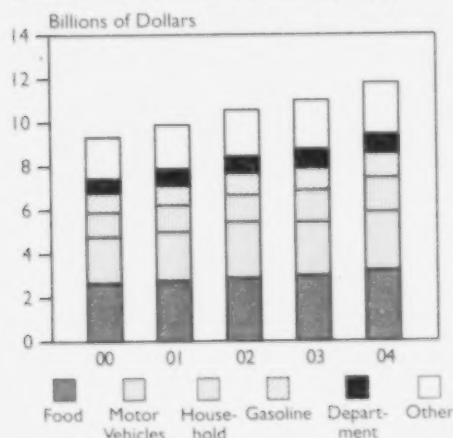
Source: Canada Mortgage and Housing Corporation

Chart 15
Manitoba Average Residential Resale Price



Source: Canada Mortgage and Housing Corporation

Chart 16
Manitoba Retail Trade by Type



Source: Statistics Canada

Manitoba's house prices posted strong increases over the past several years (see Chart 15). The average residential resale price in Manitoba in 2004 was \$119,245, significantly below the national average of \$227,261. With an 11.7% increase last year, Manitoba house prices posted the second-highest increase behind Quebec. Overall, Manitoba's residential resale prices have increased 36% since 2000. CMHC forecasts that the average house price will increase by a further 7.3% in 2005 – the highest gain among provinces this year – and by 4.7% in 2006.

■ Retail Sales

Manitoba's retail sales rose 7.6% in 2004, higher than the national increase of 5.0% and second-highest among the provinces (see Chart 16). Manitoba's increase was the highest since 1997. Solid growth in full-time jobs and rising incomes buoyed consumer confidence and computer spending last year.

Low interest rates and strong housing investment were also significant factors in the strong retail sales increase. Sales at home furnishings stores and furniture stores grew by 25.5% and 17.8%, respectively. Home centres and hardware stores posted increases of 30%. While the value of sales by new car dealers rose by only 3.7% – consistent with the national trend to lower new car sales – sales of recreational vehicles, used motor vehicles and parts increased by 33.4%.

The largest category of decline was specialized building materials and garden stores, where cool and wet weather conditions through much of the spring and summer reduced landscaping and gardening purchases.

Manitoba's sales of new motor vehicles (number of units, not value) were down 1.5% in 2004, somewhat better than the national decline of 3.1%. The number of motor vehicles sold in Manitoba

slipped to 45,356 as passenger car sales declined by 4.3%, while truck sales increased by 0.8%.

■ Tourism

Tourism receipts in Manitoba have been relatively stable over the past three years at approximately \$1.4 billion per year.

Although final estimates for 2004 tourism visits and receipts are not yet available, the tourism indicators tracked by Travel Manitoba show positive developments despite the unseasonably cool temperatures and rain experienced during the summer.

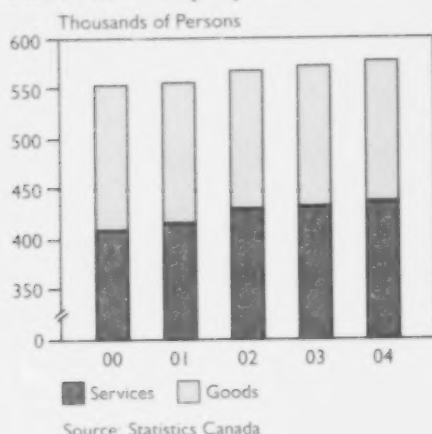
Domestic travel, which makes up approximately 89% of visits to Manitoba, is up by 3.8% to the end of the third quarter. Winnipeg hotel occupancies are also up 2.8%, while Brandon occupancies are up 5.1% and rural occupancies finished the year down by 2.2%.

Overnight direct entries from the U.S. to Manitoba were down slightly by 1.2% compared to 2003. Same day entries were also down by 12.5%. At the national level, overnight direct entries from the U.S. were up by 5.8% and same day entries are down by 8.0%. The strength of overnight entries at the national level is primarily a result of recovery from the impact of SARS in Ontario.

For 2005, the Conference Board of Canada forecasts that domestic overnight person trips to Manitoba will grow by 4.0% with overseas visits up 6.5% and U.S. visits up 1.5%. The modest growth in visits from the U.S. reflects the continued high value of the Canadian dollar relative to the U.S. currency.

Domestic travel, which makes up approximately 89% of visits to Manitoba, is up by 3.8% to the end of the third quarter.

Chart 17

Manitoba Employment**Labour Market**

Employment in Manitoba increased 0.9% in 2004, up from the 0.6% increase posted in 2003 (see Chart 17). Full-time job growth of 1.5% was partly offset by fewer part-time jobs, as part-time employment declined by 1.3%. Average annual employment reached an all-time high of 576,000, up 5,400 from 2003.

Manitoba's unemployment rate last year increased to 5.3% from 5.0% in 2003 (see Chart 18). This rate was the second-lowest in Canada and remained well below the national unemployment rate of 7.2%.

Manitoba's youth unemployment rate rose to 11.1% from 9.6% in 2003. The Manitoba rate was the third-lowest among provinces and well below the national rate of 13.4%.

Among industries, the goods-producing sector, which accounts for 24% of Manitoba jobs, posted a 0.7% increase in employment. Goods industries were led by a 1.8% increase in construction employment. Service industries posted a 1.1% increase in employment, led by

Labour Market Definitions

Employment: Non-institutionalized, civilian working-age adults (15 years of age and older) that work at paid jobs plus those who are self-employed, including unpaid workers who contribute to the family's farm or other business.

Unemployment: People without work who are available for work and are actively looking for jobs, or have looked for work in the previous four weeks.

Labour Force: The sum of employment and unemployment. Excludes those who are not employed and who are not looking for work.

Participation Rate: Labour Force as a percentage of working-age adults.

Employment Rate: Employment as a percentage of working-age adults.

public administration and information and culture industries, which posted 6.0% and 4.5% increases, respectively.

Manitoba's labour force grew 1.3% last year, just behind the national increase of 1.4%. Overall, Manitoba's labour force growth has strengthened considerably recently, growing at an average annual rate of 1.2% over the past five years, well above the average annual increase of 0.4% through the 1990s. Nevertheless, tight labour market conditions persisted through the year.

Manitoba's labour force participation rate increased 0.3 percentage points to 69.0% in 2004. The participation rate remained second-highest in Canada last year, and above the national rate which edged up to 67.6%. The 2004 Manitoba rate matched the record-high labour force participation rate established in 2002. Manitoba's employment rate – the ratio of employed to the total of the working age population – increased by 0.1 percentage points to 65.5% (see Chart 19). Like the participation rate, Manitoba's employment rate is the second-highest among provinces in Canada.

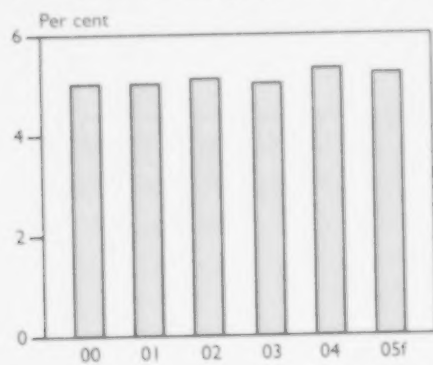
Manitoba Finance's survey of economic forecasters shows that Manitoba's annual employment growth rate is projected at 1.1% in 2005 and 2006. Manitoba's unemployment rate is forecast to decline to 5.2% in 2005, and drop further to 4.9% in 2006.

■ Investment

Total new capital investment in Manitoba is estimated to have increased 9.9% in 2004, according to the Statistics Canada Survey of Private and Public Investment. This was the fourth-best increase among provinces and above the national increase of 8.5%. Total investment is forecast to increase to \$7.25 billion in 2005, an increase of \$479 million, or 7.1%. Growth is projected to be stronger than

Chart 18

Manitoba Unemployment Rate



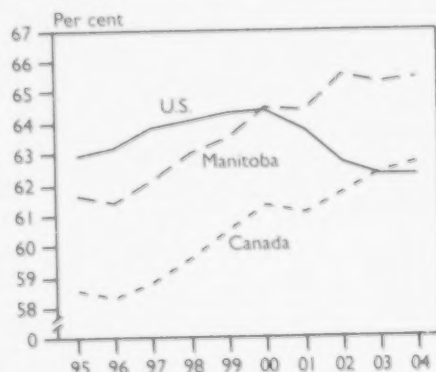
f - Forecast

Sources: 2000-2004: Statistics Canada

2005: average of economic forecasters

Chart 19

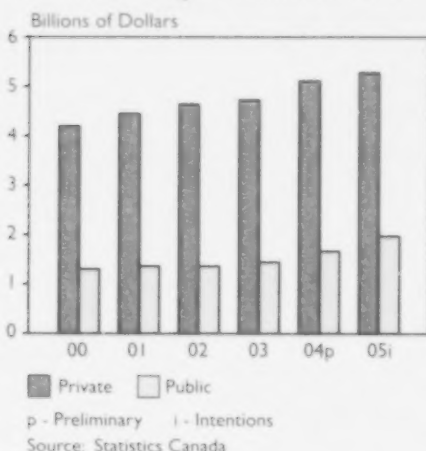
Manitoba, Canada and U.S. Employment Rate



Sources: Statistics Canada and

U.S. Department of Labour

Chart 20

Manitoba Capital Investment

*The Conference Board of
Canada, in its February
2005 forecast, projects
that capital investment in
Manitoba will grow by 6.2%
in 2005 and 6.0% in 2006.*

the national average increase of 6.0%.

Following slow growth in 2003, private capital investment grew 8.1% in 2004. Over the 1999-2005 period, the level of private investment in Manitoba increased 31% (see Chart 20). Statistics Canada estimates that private investment will increase 3.6% in 2005, slightly below the projected growth for Canada of 5.1%. Private investment accounts for approximately 75% of capital investment in Manitoba. Over the last five years, the level of private investment in Manitoba has increased by more than one billion dollars.

Public capital investment in Manitoba by the federal, provincial and local governments rose by 16.0% last year, almost double the national increase and second-strongest in Canada. For 2005, public investment is projected to increase 17.7%, well above the 10.3% national rate of public investment growth.

According to the Manitoba Bureau of Statistics, real (inflation-adjusted) business investment in Manitoba grew 5.8% in 2004, with a 14.5% increase in residential structures and a 4.0% increase in machinery and equipment spending. By the provincial accounts measures of real investment, total business investment has increased approximately 20%, or \$988 million, since 1999.

Investment growth driven by increased investment in residential structures coincides with a 7.9% or \$1.15 billion increase in the value of building permits issued in Manitoba last year, the highest level ever recorded. Winnipeg permits, which account for about two-thirds of permits issued, increased by 8.4%. Residential building permits increased 28.3% while non-residential permits declined 12% following two years of strong growth.

The Conference Board of Canada, in its February 2005 forecast, projects that capital investment in Manitoba will grow by 6.2% in 2005 and 6.0% in 2006. Manitoba's investment will outpace the national growth in investment and will be third

and second-highest among provinces in the two years, respectively.

Several major capital projects have just been completed, are under way or are now planned. Examples include the following projects.

- Work has just been completed by **Winpak Ltd.** on an expansion of the company's biaxially oriented nylon film plant, the second phase of a project that also involved a 140,000-square-foot expansion of the company's main plant in Winnipeg. The project is part of a \$50 million investment in Manitoba announced by the company.
- A new \$15 million office complex in downtown Winnipeg is now under construction. With completion late in 2005, the 90,000-square-foot building will be home to the **Credit Union Central of Manitoba, Celero Solutions** and other tenants.
- **Manitoba Hydro** will be constructing a new 600,000-square-foot head office in downtown Winnipeg starting in 2005. Approximately 1,800 Manitoba Hydro staff will be located at the new headquarters. Completion of the project is expected in 2007.
- The \$19 million **Millennium Library** project in downtown Winnipeg, scheduled for completion in September 2005, will increase Manitobans' access to technology, boost collections, enhance services and expand facilities at Winnipeg's largest library.
- Plans are under way for the **Red River Floodway Expansion**, with construction to begin in 2005 and completion expected in 2009. This \$660 million project will increase protection from flooding and create thousands of local jobs.
- **Cangene Corporation**, a leader in the development, manufacture and commercialization of specialty hyper-immune plasma and biotechnology products, is investing \$30 million in the expansion of its plasma fractionation facility.

Manitoba Capital Investment by Industry, 2005 Intenions

	Millions of Dollars
Housing	1,545.2
Utilities	944.6
Public Administration	842.7
Transportation	559.6
Finance & Insurance	468.3
Manufacturing	445.5
Agriculture	412.7
Information & Culture	332.8
Real Estate	265.2
Retail Trade	233.4
Other Services	228.3
Minerals	219.4
Construction	175.4
Health & Social	174.8
Wholesale Trade	171.8
Education	124.5
Professional & Scientific	109.2
Total	7,253.4

Source: Statistics Canada

Leading Growth Industries in Manitoba Capital Investment, 1999-2005

	Percentage Change
Utilities	119.4
Housing	81.0
Minerals	68.6
Construction	59.3
Professional & Scientific	55.6
Public Administration	48.1
Information & Culture	45.6
Retail Trade	44.9
Finance & Insurance	30.8
Agriculture	29.1

Source: Statistics Canada

- **Biovail Corporation** announced that it will invest \$28 million in the expansion of its Steinbach pharmaceutical manufacturing facility, already one of the largest pharmaceutical manufacturing plants in Canada. Coming after an earlier expansion that Biovail undertook in Steinbach two years ago, the new 75,000-square-foot expansion will boost employment at the facility to about 600.
- Construction of the **Richardson Centre for Functional Foods and Nutraceuticals** is under way at the University of Manitoba's SMARTpark. Completion is expected by the summer of 2005. This \$25 million facility will bring together researchers from the agriculture, foods sciences, human nutrition, medicine and pharmacology disciplines, along with their industry partners, to study and develop functional foods and nutraceuticals.
- The new \$11 million, 55,000-square-foot **Centre for Commercialization of Biomedical Technology** is under construction adjacent to the National Research Centre's (NRC) **Institute for Biodiagnostics** (IBD). The new four-storey facility, which will be ready for occupancy in 2005, will help new entrepreneurs and small Canadian firms grow and successfully commercialize biomedical technology in Manitoba and Canada and reach markets around the world. NRC already houses elements of the Centre within its existing facilities at the IBD.
- The 99-megawatt **St. Leon Wind Energy Project** is being developed with completion of the first phase slated for May 2005. A total of 63 wind turbines will be installed at the site, with project costs estimated at \$187 million. The project will be big enough to supply the energy needs of 35,000 homes when completed, and will be one of the largest wind farms in Canada.
- A \$52 million state-of-the-art **engineering and information technology complex** is under construction at the **University of Manitoba**, with completion slated for 2005.

- Brandon's new \$15 million Keystone Centre project includes improvements to existing facilities plus the addition of the **Agricultural Centre of Excellence**, a new multi-functional facility that includes a 100,000-square-foot building with show seating, stabling facilities and show ring.
- Completion of the new \$13 million pilot plant expansion of the Manitoba **Food Development Centre** in Portage La Prairie is expected in April. The 19,000-square-foot expansion will support continued development of Manitoba agricultural goods into commercial products for national and international markets.
- **Rancher's Choice Beef Co-op Ltd.** plans to build a new \$16 million mature cattle slaughter plant near Dauphin. Construction is planned to begin in 2005 with 60 new jobs to be added on a permanent basis.
- **Winnipeg Airports Authority** is starting a \$350 million capital program to upgrade the international airport facilities and establish a new 60,000-square-foot main terminal building. Construction on the multi-level terminal parkade will begin in 2005, along with roadwork and construction site preparation. The new terminal is scheduled for construction in 2006, with completion in 2009.

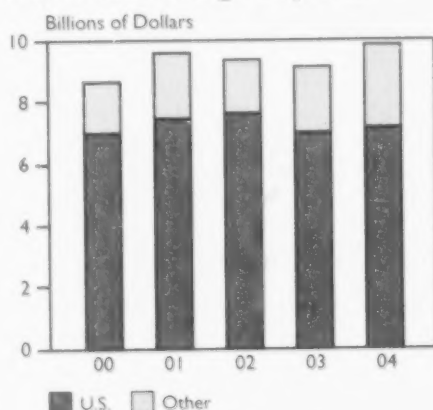
■ Foreign Markets

After two consecutive annual declines, the value of Manitoba's foreign merchandise exports increased 7.5% in 2004, to \$9.8 billion (see Chart 21).

Manitoba's exports to the U.S., which accounted for about 73% of Manitoba's foreign merchandise exports last year, grew 2.9% after falling 8.1% in 2003. A number of factors combined to weaken U.S. export performance over the last two years, including a significant and rapid increase in the value of the Canadian currency relative to the U.S. dollar, trade actions against Manitoba products

*Over the last five years,
the level of private
investment in Manitoba
has increased by more
than one billion dollars.*

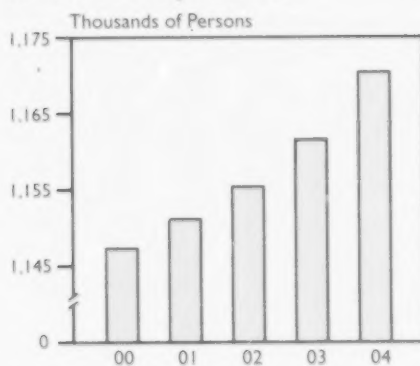
Chart 21
Manitoba Foreign Exports



Source: Statistics Canada

The total net migration to Manitoba of 6,485 was the highest level recorded in modern times.

Chart 22
Manitoba Population



Source: Statistics Canada

such as cattle and weak water-flows which reduced Manitoba's hydro-electricity exports.

While Manitoba's exports to the U.S. grew moderately last year, exports to non-U.S. markets posted significant gains. Non-U.S. merchandise exports increased 22.2% to \$2.7 billion. Total non-U.S. merchandise exports have increased by 48% over the last two years, and by 72% since 1999. Major increases last year occurred in exports to China, Hong Kong and Mexico.

Manitoba's exports of manufactured goods, which accounted for 65% of foreign exports in 2004, rose by 6.7%. Major growth was posted in exports of machinery (17.1%), wood products (15.4%), fabricated metals (12.6%), primary metals (10.7%), food processing (7.4%) and transportation equipment (6.0%).

Foreign exports of agricultural products accounted for about 23% of total Manitoba exports last year. Agriculture exports jumped 10.3%, led by significant increases in wheat.

Electricity exports, which account for 3.8% of Manitoba's foreign exports, rebounded from two consecutive annual declines with a 42.5% increase last year. Better water flows in 2004 strengthened hydro-electricity generation.

Manitoba Foreign Exports

BY INDUSTRY	2000	2001	2002	2003	2004p	2004p Share
	(Millions of Dollars)					(%)
Manufacturing						
Food	830.1	996.0	1,058.6	1,056.3	1,134.3	11.5
Primary Metals	745.8	803.5	847.1	870.2	963.0	9.8
Transportation Equip.	1,053.0	1,139.7	944.9	878.4	931.0	9.5
Machinery	584.8	535.9	679.8	620.8	727.2	7.4
Wood	540.6	531.4	573.3	553.0	638.3	6.5
Chemical Products	359.2	418.1	398.1	459.7	456.9	4.6
Paper	268.6	254.9	267.1	298.6	300.7	3.1
Plastics	178.5	210.5	221.4	229.1	233.8	2.4
Electrical & Electronic	274.7	273.8	188.2	187.9	192.2	2.0
Printing	124.8	165.6	195.2	182.7	183.8	1.9
Petroleum and Coal	205.8	118.7	135.4	186.1	166.4	1.7
Fabricated Metals	95.1	126.1	119.2	116.2	130.8	1.3
Furniture and Fixtures	158.2	171.5	166.8	125.2	111.1	1.1
Clothing and Textiles	193.2	156.6	145.2	122.4	97.8	1.0
Other Manufacturing	134.4	127.1	164.5	142.7	166.5	1.7
Total Manufacturing	5,746.8	6,029.3	6,104.8	6,029.2	6,434.0	65.3
Agriculture	1,594.1	2,030.0	1,839.0	2,072.2	2,285.3	23.2
Electricity	442.7	534.7	390.5	263.7	375.9	3.8
Other Primary	639.8	714.5	792.3	520.1	431.1	4.4
Other Exports	255.4	267.8	279.5	279.7	322.9	3.3
Total Exports	8,678.8	9,576.2	9,406.2	9,164.8	9,849.3	100.0
BY DESTINATION						
United States	6,973.5	7,517.8	7,604.7	6,986.3	7,186.3	73.0
Japan	370.3	454.7	475.0	499.3	510.9	5.2
China	108.5	167.9	79.5	150.9	451.0	4.6
Mexico	124.8	177.3	148.1	204.6	282.1	2.9
Hong Kong	128.6	140.2	112.1	128.8	171.7	1.7
Belgium	127.5	147.5	117.9	115.0	83.2	0.8
United Kingdom	61.3	56.1	72.7	70.8	66.8	0.7
Spain	24.9	34.3	8.4	53.7	65.4	0.7
Australia	27.4	39.5	47.8	52.0	61.4	0.6
Taiwan	55.2	52.1	57.6	54.9	61.2	0.6
Other Countries	676.9	788.8	682.3	848.5	909.3	9.2
Total Exports	8,678.3	9,576.2	9,406.2	9,164.8	9,849.3	100.0

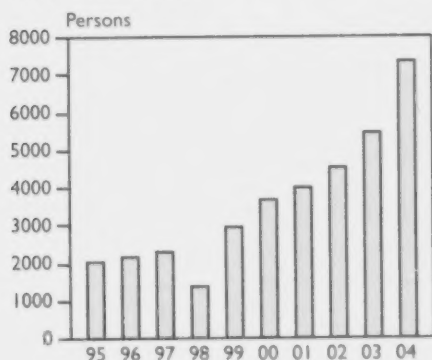
p - Preliminary

Note: adjustments to coin exports to the United States of \$899 million in 2000

Totals may not add due to rounding.

Source: Manitoba Bureau of Statistics

Chart 23
Manitoba Immigration
1995 to 2004



Note: data is for year ending October 1

Source: Statistics Canada

Manitoba's Projected Population, July 1st

2004	1,170,300
2005	1,179,700
2006	1,189,400
2007	1,199,700
2017	1,303,900
2028	1,401,000

Source: Manitoba Bureau of Statistics

Population

Manitoba's total population was estimated at 1,170,268 as of July 1, 2004. This is Manitoba's "official" population for the year. The population growth from 2003 was 8,716 persons, or 0.75% (see Chart 22). This was the province's largest annual growth since 1986 and fourth-best among provinces behind Alberta, Ontario and British Columbia.

The latest quarterly population data available is October 1, 2004. Manitoba's population was estimated at 1,173,200. Between October 1, 2004 and the same date in 2003, Manitoba's total population grew by 10,161, or 0.87%. This was comprised of total net immigration of 6,485 combined with natural population growth (births minus deaths) of 3,676. This was Manitoba's strongest population growth since 1985.

Last year was the third consecutive year of net population growth through migration. The total net migration to Manitoba of 6,485 was the highest level recorded in modern times.

Total international net migration over the period, including movement of non-permanent residents and Canadian citizens traveling abroad, was 7,367, up 36% from the preceding 12 months (see Chart 23). A large rise in the number of international immigrants coming to Manitoba was principally responsible for the increase.

In large part, the increase in international migration reflected the success of the Manitoba Provincial Nominee Program, a program that targets immigration of skilled workers and business persons to Manitoba. Nominees accounted for about half of all international immigrants to Manitoba last year.

Total net interprovincial outmigration was -882 in the twelve months ending October 1. This is the lowest net interprovincial outmigration level since 1983.

MANITOBA ECONOMIC OUTLOOK

Overall, Manitoba's economy is expected to grow at rates near the national average in 2005 and 2006. Most forecasters anticipate that the U.S. economy will continue to strengthen, supporting demand for Canadian exports, although the continuing high Canadian dollar exchange rate will mute growth somewhat next year.

Manitoba Finance's survey of economic forecasters shows that real GDP in Manitoba is projected to increase by 2.8% in both 2005 and 2006. This is in line with the survey's projected national increases of 3.0% in 2005 and 2006.

Manitoba's nominal GDP is projected to increase by 3.9% in 2005 and by 4.2% in 2006. This compares with projected national growth of 4.2% in 2005 and 5.1% in 2006.

Manitoba's employment is expected to grow by 1.1% in both 2005 and 2006. Manitoba's unemployment rate is projected to decline to 5.2% in 2005, declining further to 4.9% in 2006.

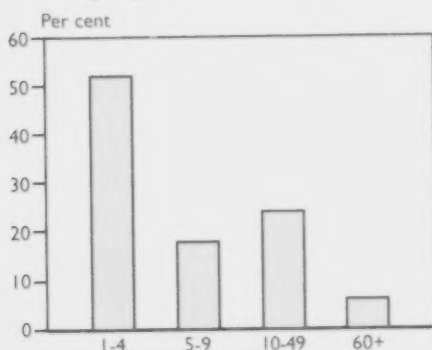
Manitoba Outlook at a Glance

	2003	2004	2005 ^f	2006 ^f
	(Percentage Change Except as Noted)			
Gross Domestic Product				
Real	1.6	2.8	2.8	2.8
Nominal	3.3	5.5	3.9	4.2
Employment	0.6	0.9	1.1	1.1
Unemployment Rate (%)	5.0	5.3	5.2	4.9
CPI	1.8	2.0	1.9	1.7

f - Forecast

Sources: 2003 and 2004: Statistics Canada and Manitoba Bureau of Statistics
2005 and 2006: average of economic forecasters

Chart 24
Manitoba Business by Number of Employees



Source: Statistics Canada

The perception that small businesses are limited to local markets is a myth.

In fact, 79% of Manitoba small businesses export goods interprovincially, while almost 60% are also exporting to U.S. markets.

FOCUS ON SMALL BUSINESS

Small businesses play a significant role in the province's economy. Usually defined to include firms employing less than 50 persons (including self-employed individuals, family businesses and small corporations), small businesses are key contributors to provincial commerce. These firms are found across Manitoba's economic landscape participating in all sectors of the economy and are an important source of job creation, investment and innovation.

According to Statistics Canada (June 2004), firms with less than 50 employees accounted for 94% of the businesses in the province. About 52% of Manitoba businesses (who indicate they had employees) had less than 5 employees; while another 18% had 5-9 employees (see Chart 24).

With such significant participation of small businesses in the economy, it is not surprising that smaller firms are an important source of employment in Manitoba. Statistics Canada reports that, throughout the 1990s, nearly one-third of Manitobans were employed by small businesses. Similarly, in Canada overall, firms with less than 50 employees accounted for 40% of total private sector employment. A significant share of small business in Manitoba is accounted for by self-employed individuals. About 15% of the employed labour force, or about 86,000 Manitobans, are self-employed.

In addition to maintaining a solid share of the overall labour force, small businesses are also a positive source of job creation. Throughout the 1990s, Statistics Canada reported approximately one-third of all new jobs in the Manitoba economy were created by small business.

Manitoba small businesses are an important source of economic growth. It is estimated that small businesses accounted for almost one-quarter of provincial GDP in 2003. This is comparable to the national average share over the same period.

Manufacturing is Manitoba's largest sector, accounting for 12.3% of provincial GDP; 87% of manufacturing firms have identified themselves as small businesses, employing less than 50 persons. Other sectors, like financial services and real estate, do not have such high rates of small business participation. However, in a few industries, such as rubber and leather products, virtually all firms are smaller enterprises.

The perception that small businesses are limited to local markets is a myth. A recent survey of small businesses found that smaller firms in Manitoba are important sources of provincial exports. In fact, 79% of Manitoba small businesses export goods interprovincially, while almost 60% are also exporting to U.S. markets. Beyond direct exports, Manitoba firms had the highest ratio of indirect foreign exporters among small businesses in Western Canada; 59% of Manitoba firms identified themselves as producers whose goods are incorporated into other products that are in turn sold outside of Canada.

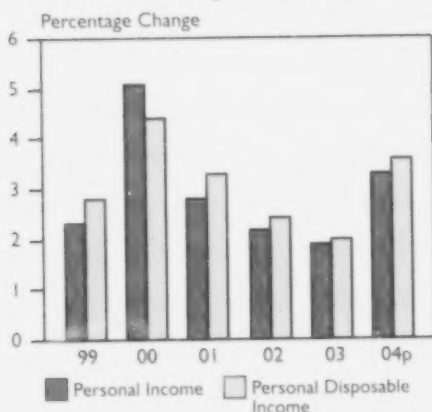
It is clear that Manitoba's small businesses are vital to the health of the provincial economy. Their contributions to employment and to local, interprovincial and international commerce are key components of provincial economic growth. Continued development of Manitoba small businesses will be closely linked with Manitoba's future prosperity.

"The diversified nature of the Manitoba economy adds to stability and helps to lessen the volatility associated with economic cycles. A very substantial service sector that includes wholesale and retail trade, finance and insurance, real estate and public administration is one factor adding to diversity."

Moody's Investors Service
July 2004

Chart 25

Manitoba's Personal Income Per Capita and Personal Disposable Income Per Capita, 1999 to 2004

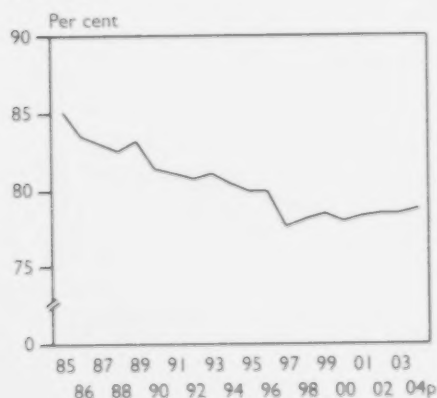


p - Preliminary

Sources: Statistics Canada and
Manitoba Bureau of Statistics

Chart 26

Manitoba Personal Disposable Income as a Percent of Personal Income



p - Preliminary

Source: Manitoba Bureau of Statistics

HIGHER INCOMES

One of the principal benefits of a growing economy is growing incomes. Higher incomes promote savings and investment, along with higher personal consumption and increased living standards.

Personal income and personal disposable income are two principal measures of overall economic well-being. Personal income includes wages and salaries, investment income and transfers from government (for example, employment insurance benefits and CPP income). Personal disposable income is personal income less personal income taxes and social security program contributions. Broadly, personal disposable income is the income left to individuals after their personal taxes have been paid.

Manitoba has posted a strong record of per capita income growth in recent years. In most years during 1999-2003, Manitoba's personal disposable income level ranked fourth-highest among the provinces, behind Alberta, Ontario and British Columbia.

In 2004, Manitoba's per capita personal disposable income grew by 4.4%, ahead of the national average increase of 3.9%, and above the inflation rate of 2.0% (see Chart 25). In per capita terms, Manitoba's personal income grew by 3.3% in 2004, slightly lower than the national average growth of 3.5%. Manitoba's per capita personal income grew by 16.3% during 1999-2004, close to the national average increase of 17.4%.

After accounting for inflation, "real" per capita personal disposable income has increased by 5.2% over the past five years. This contrasts with the 1990s, when Manitoba's real per capita personal disposable income actually declined between 1990 and 1999.

THE MANITOBA ECONOMY: STRENGTH IN DIVERSITY

Manitoba's economy continues to be recognized as one of the most diversified in Canada. Reports by Moody's Investors Service, Standard and Poor's, Dominion Bond Rating Service and CIBC all cite economic diversity as one of the province's major economic strengths.

Diversity provides long-term stability, as periodic weaknesses in some industries are balanced by strengths in others. No one industry dominates the province's economy. Statistics Canada data show that Manitoba's economy posted the most stable growth performance among provinces over the past five years.

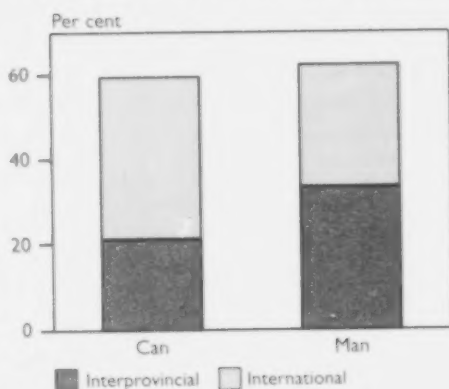
Even within the current industrial structure there is growing diversity, providing Manitoba businesses with a more stable environment to flourish. Developments in traditional industries are providing opportunities for Manitoba businesses to diversify into new markets, and bringing new products to existing markets. This continual broadening and renewal of Manitoba's economic base offers the prospect of even greater stability and certainty for Manitobans in the future.

Manitoba is one of Canada's most export-oriented provinces. As Chart 27 indicates, total exports as a per cent of GDP were 62.4% in 2003, slightly ahead of the 59.3% national average. Manitoba's exports are split almost equally between interprovincial and international exports, the most evenly balanced of any province (see Chart 28). In the rest of Canada, the ratio of foreign to domestic exports is 2:1.

Manitoba companies have taken advantage of the province's central geographic location to maximize opportunities for interprovincial trade. This high volume of interprovincial commerce has been

Chart 27

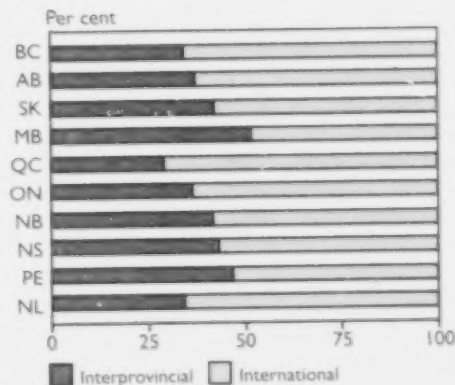
Ratio of Exports to Gross Domestic Product, Canada and Manitoba, 2003



Source: Statistics Canada

Chart 28

Ratio of Interprovincial to International Exports, By Province, 2003



Source: Statistics Canada

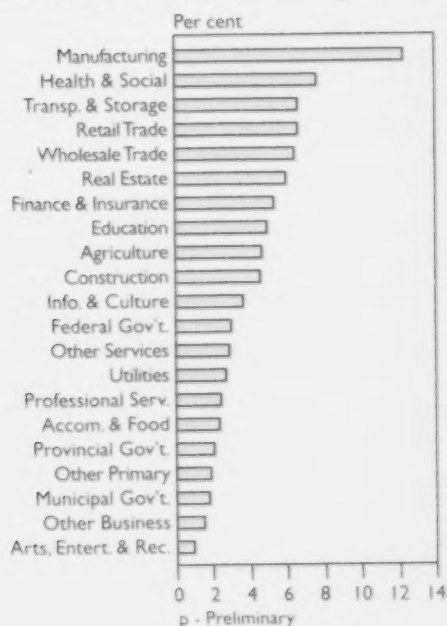
Composition of Manitoba Foreign Commodity Exports, 1996 & 2004

	1996	2004
	(Per cent of Total)	
Manufacturing.....	57	65
Agriculture.....	28	23
Other Primary.....	9	4
Electricity.....	5	4
All Other.....	1	3

Source: Manitoba Bureau of Statistics

Chart 29

Shares of Manitoba Gross Domestic Product, 2004p



Source: Manitoba Bureau of Statistics

recognized as an important contributing factor in maintaining stable economic growth. Less dependence on foreign trade and increasing diversity in export destinations has helped Manitoba's export industries remain competitive in the face of the rising Canadian dollar, and has helped the province avoid the overall declines in exports recorded in other provinces over the last few years.

Manitoba's foreign commodity exports have increased dramatically over the past several years and the diversification of the economy into increased value-added production can be best illustrated by the change in the shares of exports among major industries. In particular, manufacturing, which in 1996 accounted for about 57% of Manitoba's foreign merchandise exports, has grown steadily to account for over 65% of foreign exports in 2004. New product lines in areas such as furniture, prepared meats, potato products, industrial chemicals, plastic products, pharmaceuticals, and printing and publishing goods increased dramatically.

As noted above, Manitoba's industry portfolio is broadly based, which helps manage the risk associated with a downturn in any particular industry (see Chart 29). Manufacturing is Manitoba's largest sector, accounting for about 12% of total GDP. Manitoba is home to Canada's largest furniture plant and to Motor Coach Industries and New Flyer Industries, making it the largest producer of intercity and urban buses in North America. Manitoba is also a major location for the manufacture of aerospace equipment, machinery, clothing and processed food.

Primary industries have historically played an important role in Manitoba's economic growth and development. Agriculture, mining and other primary industries directly contribute about 7% to provincial GDP. Manitoba's agriculture sector has diversified significantly over the past several years, and now produces a broader range of crop and livestock varieties.

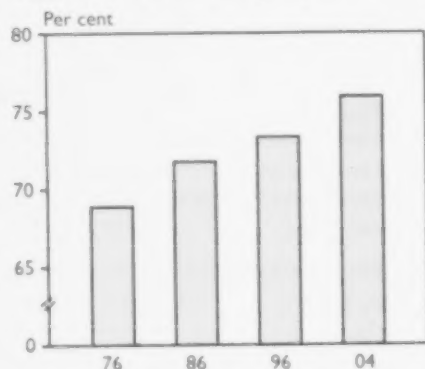
Manitoba's service sector encompasses a wide range of private and public activity. Service industries accounted for approximately 74% of Manitoba's economy in 2004, higher than the 69% for Canada as a whole. The service sector also accounts for about 76% of jobs in the province (see Chart 30).

Relative to most provinces, Manitoba's service sector is large – a factor which provides added stability to the Manitoba economy. Service industries tend to be less susceptible to fluctuation through the business cycle than most goods-producing industries. The province is home to many major service sector operations, including the head offices of two of Canada's major financial corporations – Great-West Life and Investors Group – as well as, the International Institute for Sustainable Development, the Canadian Wheat Board and CanWest Global Communications. Winnipeg is also a major centre for several other service industries, including transportation and storage industries, business call centres, health care, education and wholesale and retail trade.

Manitoba anchors the northern end of the mid-continent trade corridor that connects Canada to the Central U.S. and Mexico. The main lines of the two national railways and three railway lines to the U.S. meet in Winnipeg. This, coupled with major air and road transport links, has spawned a large cargo and freight transportation sector. Three of the ten largest employers in the country's for-hire trucking industry have headquarters in Winnipeg. The international border crossing at Emerson is the second-busiest in Western Canada.

Research and innovation has been pivotal in promoting the diversification and diffusion of new technologies and processes that have strengthened industry in the province. A number of major research establishments are located here. A large part of the research activities under way in the province are centered in our higher education institutions.

Chart 30
Manitoba Service Industries
Share of Total Employment



Source: Statistics Canada

Reports by Moody's Investors Service, Standard and Poor's, Dominion Bond Rating Service and CIBC all cite economic diversity as one of the province's major economic strengths.

Manitoba Economic Statistics, 2000 to 2004

	2000	2001	2002	2003	2004
	(Millions of Dollars)				
SECTORS					
Farm Cash Receipts	3,151	3,701	3,853	3,539	3,851
Crops	1,313	1,519	1,918	1,678	1,768
Livestock	1,551	1,800	1,716	1,553	1,624
Direct Payments	287	382	219	308	459
Manufacturing Shipments	11,439	11,372	11,263	11,413	12,605
Mining	1,233	1,020	1,001	1,029	1,330
Electric Power Sales	1,295	1,458	1,361	1,282	1,434
Export Sales	454	596	472	380	488
Housing Starts (no. of units)	2,560	2,963	3,617	4,206	4,440
Retail Trade	9,310	9,850	10,541	10,925	11,755
FOREIGN EXPORTS					
Total Exports	8,679	9,576	9,406	9,165	9,849
U.S.	6,974	7,518	7,605	6,986	7,186
GROSS DOMESTIC PRODUCT					
Nominal	34,042	35,419	36,859	38,074	40,181
Real	32,801	33,108	33,904	34,447	35,422
BASE RATE WAGE SETTLEMENTS (%)					
Public	2.5	2.5	4.6	3.0	3.1
Private	2.1	2.5	1.3	0.6	1.4
Total	2.5	2.5	4.0	2.8	2.6
INVESTMENT					
Total	5,520	5,803	6,013	6,163	6,774
Private	4,211	4,442	4,649	4,721	5,101
Public	1,310	1,361	1,363	1,442	1,673
Non-residential	4,609	4,784	4,876	4,906	5,243
Housing	912	1,019	1,137	1,257	1,531
POPULATION					
July 1 (000's)	1,147	1,151	1,156	1,162	1,170
LABOUR MARKET					
Labour Force (000's)	580.5	583.7	597.7	600.4	608.2
Employment (000's)	551.7	554.3	567.4	570.6	576.0
Participation Rate (%)	67.8	67.8	69.0	68.7	69.0
Unemployment Rate (%)	5.0	5.0	5.1	5.0	5.3
CONSUMER PRICE INDEX					
(Index, 1992=100)	118.1	121.2	123.1	125.3	127.8
BANKRUPTCIES					
Business	253	300	249	243	178
Farm	18	19	41	28	27
Personal	2,475	2,493	2,437	2,609	2,339

Sources: Statistics Canada, Industry Canada and Manitoba Bureau of Statistics

2000	2001	2002	2003	2004
(Annual Percentage Change)				
8.3	17.5	4.1	-8.1	8.8
-6.3	15.8	26.2	-12.5	5.4
20.1	16.0	-4.6	-9.5	4.6
32.9	33.1	-42.7	40.7	48.9
4.8	-0.6	-1.0	1.3	10.4
36.1	-17.3	-1.9	2.8	29.3
9.8	12.6	-6.6	-5.8	11.9
24.9	31.4	-20.8	-19.4	28.3
-18.3	15.7	22.1	16.3	5.6
4.5	5.8	7.0	3.6	7.6
8.0	10.3	-1.8	-2.6	7.5
7.4	7.8	1.2	-8.1	2.9
6.6	3.3	4.9	3.3	5.5
4.3	0.9	2.4	1.6	2.8
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1.9	5.1	3.6	2.5	9.9
4.7	5.5	4.7	1.5	8.1
-6.1	3.9	0.2	5.8	16.0
1.0	3.8	1.9	0.6	6.9
6.8	11.8	11.6	10.5	21.8
0.4	0.3	0.4	0.5	0.7
1.4	0.6	2.4	0.5	1.3
2.2	0.5	2.4	0.6	0.9
-	-	-	-	-
-	-	-	-	-
2.5	2.6	1.6	1.8	2.0
17.1	18.6	-17.0	-2.4	-26.7
-37.9	5.6	115.8	-31.7	-3.6
0.4	0.7	-2.2	7.1	-10.3

SECTORS

Farm Cash Receipts
Crops
Livestock
Direct Payments
Manufacturing Shipments
Mining
Electric Power Sales
Export Sales
Housing Starts (no. of units)
Retail Trade

FOREIGN EXPORTS

Total Exports
U.S.

GROSS DOMESTIC PRODUCT

Nominal
Real

BASE RATE WAGE SETTLEMENTS (%)

Public
Private
Total

INVESTMENT

Total
Private
Public
Non-residential
Housing

POPULATION

July 1 (000's)

LABOUR MARKET

Labour Force (000's)
Employment (000's)
Participation Rate (%)
Unemployment Rate (%)

CONSUMER PRICE INDEX

(Index, 1992=100)

BANKRUPTCIES

Business
Farm
Personal

Appendix:

RESEARCH AND INNOVATION

Research and innovation are key elements of economic growth and prosperity. It is through research that we acquire knowledge, and it is through the transformation of knowledge that innovation occurs. Innovation touches our lives and helps us achieve economic success.

Research and development (R&D) creates the knowledge and expertise that ultimately can lead to innovation. Knowledge gained through R&D can produce new or substantially improved materials, devices, products, processes or systems, or commercial applications. The discovery and application of research knowledge is necessary if the economy is to compete and prosper. While research and innovation does not guarantee that economies will grow, research and innovation are important inputs that are critical to growth. Without them, economies will lose competitive advantage and will not realize the full social benefits that innovation can bring: higher productivity, rising incomes, a cleaner environment and sustainable development, improvements to personal health and wellness and so forth.

R&D cannot occur without a supportive environment aimed at promoting research investment. In Manitoba, fostering R&D and innovation occurs through a partnership of industry, higher education, the non-profit sector and governments. With this partnership, investments in research, innovation and in developing a skilled workforce for knowledge-based industries will continue to grow.

■ Manitoba's Research Environment

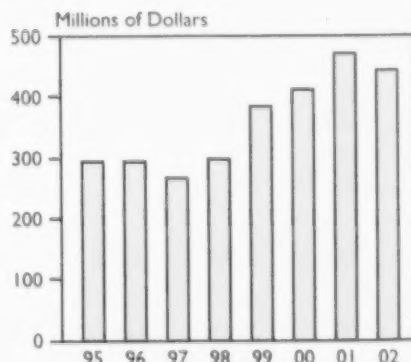
One of the principal measures of R&D effort is the ratio of R&D expenditure relative to GDP. In Manitoba, the current level of gross expenditure on research and development was estimated to be equal to about 1.2% of GDP in 2002. On a per capita basis, gross domestic spending on R&D in Manitoba was \$384 per person, fourth-highest among the provinces.

Statistics Canada estimates that total gross expenditure on R&D in Manitoba in 2002 was \$444 million, down slightly from 2001 but still the second-highest level recorded (see Chart 31). About 3,700 personnel are engaged in R&D in Manitoba, three-quarters of them in higher education and private businesses.

Industry is an important component of the Manitoba R&D environment. Over 200 Manitoba businesses were involved in R&D programs across a variety of economic sectors. These firms invested \$138 million in Manitoba R&D activities in 2002, about 30% of the total spending on R&D in the province.

Research and innovation in Manitoba spans a broad

Chart 31
Gross Expenditure on R&D in Manitoba



Source: Statistics Canada

range of industries, including engineering, medicine, pharmaceuticals, agriculture and agri-food, aerospace products and other transportation equipment. The list of firms undertaking research in the province include Apotex, Bayer, Cangene Corporation, Novadaq Technologies Inc., Buhler Versatile Industries, Advanta Seeds, BASF, Wyeth Canada, Ceridian Canada, Vansco Electronics, New Flyer Industries, Boeing Canada and Bristol Aerospace.

One of Manitoba's widely recognized research strengths is in the fast-growing biotechnology sector. The province is home to 41 biotechnology companies and 30 R&D establishments undertaking work in various biotechnology fields like health and agriculture. One in ten of Canada's biotechnology companies currently undertakes research in Manitoba, and more than 2,300 persons are employed by the biotechnology industry in the province. Ernst & Young's Global Biotechnology Report 2004 concluded that Manitoba's biotechnology industry is the fastest growing in Canada. Since 2002, the number of biotechnology companies in the province is up 11%, the number of employees in the industry is up 35%, and revenues have grown by 76%. Annual revenues in this field are now estimated at \$440 million.

Manitoba is also home to a number of major public R&D facilities. These include the University of Manitoba, the St. Boniface General Hospital Research Centre, the Canadian Science Centre for Human and Animal Health, the National Research Council's Institute for Biodiagnostics, the Manitoba Industrial Technology Centre, TRILabs, the Food Development Centre, the National Centre for Agri-Food Research in Medicine, Agriculture and Agri-Food Canada's Cereal Research Centre, the Canadian International Grains Institute and the Prairie Agricultural Machinery Institute.

While the province is widely recognized for its existing research facilities and programs, a number of significant new projects will further add to the province's R&D networks:

- The \$25 million Richardson Centre for Functional Foods and Nutraceuticals will focus on products derived from crops important to the prairie region, including oats, wheat, buckwheat, canola, flax and hemp. Major funding partners to date include Western Economic Diversification, the province of Manitoba, CIBC, Agricore United, the Manitoba Rural Adaptation Council, the Richardson family and other private sector investors. The new building will be a unique facility where researchers from different disciplines as well as industry partners will work together to develop functional foods and nutraceuticals based on scientific evidence for their efficacy and safety. Construction of the facility began in autumn 2004 and the 55,000-square-foot facility is expected to be completed in 2005.
- The new \$11 million, 55,000-square-foot Centre for Commercialization of Biomedical Technology is under construction adjacent to the National Research Centre's Institute for Biodiagnostics (IBD). The new facility, which will be ready for occupancy in 2005, will provide services to 30-40 start-up companies from the high-tech medical technology sector and spinoffs from the NRC, assisting them to become self-sustaining.
- A \$13 million renovation and pilot plant expansion project at the Food Development Centre in Portage la Prairie will be completed in April 2005. The Centre provides a timely and cost-effective way for the agri-food industry and entrepreneurs to produce safe, high-quality food products. Supporting greater value-added processing of agricultural commodities, the facility

provides applied research and development in processing and packaging of all types of food produced in Manitoba.

The federal government continues to have a major presence in science and technology funding in Canada. In Manitoba, federal funding for R&D was estimated at \$132 million for 2002/03.

The federal government supports science activities performed by federal departments and agencies, universities, businesses or other organizations. Federal departments and agencies conducting research in Manitoba include Agriculture Canada, Environment Canada, Fisheries and Oceans, Health Canada and the National Research Council. About 52% of the federal expenditures on R&D in Manitoba are for work carried out by these departments and agencies, while another 42% of the federally funded R&D is conducted by universities. The remainder of the work is performed by private firms and by non-profit organizations.

■ Provincial Support for Research and Innovation

The province supports research and innovation both through direct spending programs, and through the Manitoba Research and Development Tax Credit.

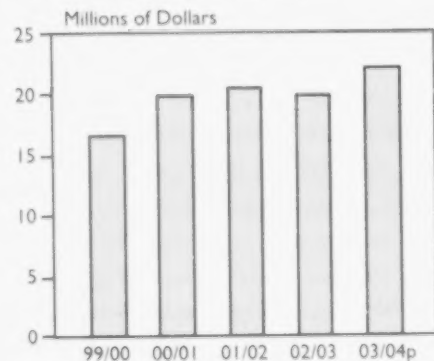
Manitoba's direct expenditures on R&D include internal departmental spending, support to business enterprises, R&D support to universities and health care organizations and support through the activities of the Industrial Technology Centre.

In 2003/04, direct expenditure on R&D by the provincial government is estimated at \$22.2 million, up 13% from 2002/03 (see Chart 32). Most of the provincial government's direct expenditure commitment to R&D is provided to universities and to hospitals and other health organizations, including the Manitoba Health Research Council. The balance of provincial R&D expenditure supports the work of government departments, private businesses and other parties.

Manitoba's Research and Development Tax Credit encourages private sector R&D activity in Manitoba. The tax credit program was established in 1992 and provides firms undertaking R&D in the province with substantial support for R&D investment through a non-refundable credit for qualifying R&D expenditures. Budget 2005 boosted the credit rate to 20% of eligible expenditures from 15% (see "Manitoba Research and Development Tax Credit", page 39).

Manitoba partners with the federal government through the Manitoba Research and Innovation Fund (MRIF). The MRIF was established to assist in increasing the capabilities of Manitoba

Chart 32
Provincial Government
Expenditure on R&D
1999/2000 - 2003/2004



p - Preliminary

Source: Statistics Canada

universities, colleges, hospitals and not-for-profit sector to conduct scientific research and product development. The fund also enhances the ability of Manitoba research institutions to attract and retain world-class researchers and technicians, and increases Manitoba's capacity to innovate through such means as supporting science awareness and technology commercialization.

This program, in part, leverages funds from outside sources, such as the Canada Foundation for Innovation (CFI) and the Canadian Institutes of Health Research Regional Partnerships Program. Funding in 2003/04 leveraged almost \$15 million from other public and private sources.

In 2004/05, dozens of projects were funded through the MRIF, including several funded in partnership with the CFI, which provides support for research infrastructure. The MRIF supported various research projects in several areas including infectious diseases, microelectronics and genomics at a number of Manitoba institutions including the University of Winnipeg and Brandon University. The table "Manitoba Research and Innovations Fund Support 2004/05" on page 38 provides a list of some of the projects funded last year.

As well as providing health research support through the various MRIF sub-component programs, Manitoba has implemented the Health Research Initiative. The objectives of the initiative are to assist Manitoba's health research centres to increase R&D activities in Manitoba and facilitate sustained economic growth and the creation of high-quality jobs. The program is an incentive-based initiative with the distribution of funds tied to the amount of research revenue each Manitoba health research centre attracts from private industry and from non-governmental granting agencies outside the province. In 2004/05, the Health Research Initiative provided \$2 million to support operating costs for five health research centres in Manitoba.

The province will provide support grants of \$1.95 million in 2005/06 to the Manitoba Health Research Council (MHRC) and another \$1.8 million to the Manitoba Centre for Health Policy. The Council promotes and assists health sciences in Manitoba and advises the Ministers of Health and Energy, Science and Technology on health matters referred to the MHRC. The Council operates a number of funding programs including awards to post-doctoral and graduate students, PhD dissertation awards and operating and establishment grants.

The Manitoba Centre for Health Policy (MCHP) is a research unit in the University of Manitoba's Faculty of Medicine. About 50 staff work at the centre. The MCHP provides population-based health services research and policy analysis to support health care decision makers and providers in offering the most effective and efficient services to maintain and improve the health of Manitobans. An endowed Chair in Child Health provides a focus on understanding the links between child development and human development.

The Government of Manitoba is also a partner with the federal government in the Networks of Centres of Excellence program. This program was established several years ago to support research at universities and hospitals in partnership with the private sector. Manitoba's objectives in developing the Manitoba Centres of Excellence Fund (MCEF) are to attract and maintain world-class R&D activity to Manitoba and to generate related spin-off benefits for local companies and non-profit institutions.

Manitoba Research and Innovation Fund Support, 2004/05

	Funding (Thousands of Dollars)
CIHR Strategic Training Program	100
Centre for Agroecological Livestock Production Systems	670
Richardson Centre for Functional Foods and Nutraceuticals	2,375
Centre for Health Policy Endowed Child Health Chair	400
Archaeological lipid residue analysis, Brandon Univesity	82
Resource Management and the Environment, Brandon University	67
Chromatin Dynamics and nuclear organization	119
Obesity & diabetes: infrastructure for studies in mouse models	127
Manufacturing Process Research Facility	100
Cereal brans constituents	57
Laboratory for the Study of Bioprocesses	105
Psychological Studies in Memory	83
Dissection of Plant Light Response	84
University of Winnipeg Planetary Spectrophotometer Facility	370
Regional Materials and Surface Characterization Facility	1,476
Program in Systems Biology	1,810
Canadian Molecular Cytogenetics Platform	72
Laboratory of study determinants of healthy aging	125
Health Research Initiative	2,000
TRLabs	480
MindSet	250
Incubat	200
Westlink	40
ICID	250
Regional Partnerships Program	428
All other	328
Total	\$12,200

Source: Department of Energy, Science and Technology

■ MANITOBA RESEARCH AND DEVELOPMENT TAX CREDIT

In Budget 2005, Manitoba has boosted the credit rate for the province's non-refundable CIT credit for scientific research and experimental development undertaken in Manitoba by a third, from 15% to 20%.

The incentive, introduced in 1992, is tied to the criteria used to determine eligibility for the federal investment tax credit on qualifying R&D expenses and supplements the federal credit.

The federal and provincial R&D credits are broadly targeted insofar as both incentives are activity based, and apply to all sectors and industries. Both current expenditures – which includes remuneration of persons engaged in research and the cost of materials and prescribed capital expenditures, which includes the cost of machinery and equipment – are eligible expenses for purposes of Manitoba R&D tax credit amounts.

From the inception of the Manitoba R&D tax credit through to the 2003 taxation year (latest year for which data is available), firms conducting R&D in Manitoba claimed \$90.1 million in provincial tax credits.

Further details in respect of the Research and Development Tax Credit programs are available at <http://www.ccr-aadrc.gc.ca/taxcredit/sred/menu-e.html>.

Over the years, studies by various agencies have repeatedly confirmed that Canada's income tax treatment of research is among the most generous in the world, especially when coupled with provincial incentives. The following table shows the after-tax cost associated with R&D current expenses for a large corporation and a small privately owned corporation, based on 2005 income tax rates.

After-Tax Cost of \$100 R&D Expenditure, 2005

	Large Corporation	Small Private Corporation
Eligible R&D expenditure	\$100.00	\$100.00
(less) Manitoba tax credit	20.00	20.00
(less) Federal tax credit	16.00	28.00
Deductible Amount	64.00	52.00
Tax Savings:		
Manitoba	9.60	2.60
Federal	14.16	6.82
Net after-tax cost	40.24	42.58

In 2004/05, 13 Manitoba Networks of Centres of Excellence (see p. 43) research programs received support totaling \$556,000 through the MCEF. Grants of between \$5,000 and \$280,000 were provided to research programs such as the Canadian Genetic Diseases Network, Food and Biomaterials Net, Intelligent Sensing for Innovative Structures, the Canadian Stroke Network and Sustainable Forest Management.

Manitoba continues to support a number of major research initiatives in the province related to agriculture. The Agri-food Research and Development Initiative (ARDI) will provide \$1 million in funding for research and development aimed at enhancing diversification, value-added opportunities and export capabilities in the province's large agri-food sector.

The province supports a special operating agency, the Food Development Centre, to undertake R&D and related services to bring new Manitoba food products to market. As noted above, the Centre is nearing completion of a \$13 million pilot plant expansion, which should further support the diversification of the agri-food sector in Manitoba. The opening of the expansion will take place in April 2005.

Portage la Prairie is also home to the Prairie Agricultural Machinery Institute (PAMI) Manitoba testing and development station. Established over 25 years ago, PAMI is jointly sponsored by the governments of Manitoba and Saskatchewan. PAMI undertakes approximately 100 projects annually for a wide range of clients, including equipment manufacturers, farm producers, commodity groups and governments. Most of the work focuses on machinery development and applied research. Although the provincial governments provide some financial support to the Institute, PAMI has been a largely self-supporting research organization through fee-for-service arrangements.

Another special operating agency of the Manitoba government is the Industrial Technology Centre (ITC). ITC facilitates technological improvements and innovation by providing advanced technical research and testing for a variety of manufacturers, inventors and other clients. Facilities and services include a calibration laboratory, noise and vibration analysis, mechanical testing, advanced document examination and administrative support for product development and related activities. ITC operates a Virtual Reality Centre, which allows businesses to realistically simulate new products before they are built. Industrial clients can use the virtual technology to design any product with computer images that show how two-dimensional models will actually look and feel in a three-dimensional world. The Centre is the only one of its kind in Canada. In 2005, the ITC will be relocating to the University of Manitoba's technology and research park, SMARTpark.

Manitoba is home to one of five TRILabs applied research laboratories. Sponsored by a private-public sectors partnership and funded in part by the Department of Energy, Science and Technology, is Canada's largest not-for-profit information and communications technology research consortium. TRILabs Winnipeg was established in 1994 and employs 75 people in the area of data networking – research aimed at improving the speed, reliability and efficiency of the communications network. Located at the University of Manitoba's SMARTpark, TRILabs creates innovative technologies and trains students to enhance ICT expertise and improve Canada's global competitiveness.

As well as direct sponsorship of research and innovation programs in the province, the Manitoba government has supported several investment capital supply programs. The provincial government's involvement with six private venture capital corporations has helped leverage a total capital pool of \$155 million. Some have provided venture capital support to new and innovative companies, including the Manitoba Science and Technology Fund and Renaissance Capital Fund. In 2002, the \$45 million Western Life Sciences Venture Fund was established to bring life sciences research and new knowledge to commercial development. In November 2004, Centrestone Ventures Inc., based in Winnipeg, established a new \$25 million fund for investment in the early stages of life sciences projects in Manitoba and other mid-west jurisdictions.

Manitoba Hydro commits approximately \$5 million per year to a research and development program to assist in providing higher system reliability, lower electricity rates, increased safety of the system infrastructure and improved customer quality of service. Some of this research is undertaken in-house, while the company sponsors other research at universities and other external research facilities. Last year, Manitoba Hydro helped support more than 100 individual research projects.

In January 2005, Manitoba Hydro announced that it is providing financial support for two new Natural Sciences and Engineering Research Council (NSERC) of Canada Industrial Research Chairs in the Faculty of Engineering at the University of Manitoba. The corporation will contribute approximately \$730,000 over five years to the Power System Simulation Research Chair and \$500,000 over five years to the Alternative Energy Research Chair. The new industrial research chairs will also be funded by industry and the federal government, through the NSERC program.

Manitoba Hydro also operates the HVDC Research Centre. The Centre, established in 1981, performs innovative research and development in high voltage DC and power electronic technologies, instrumentation and simulation. The Centre has become a world leader in the technology of electric power system simulation, applied power systems analysis and related technologies.

■ University of Manitoba

Universities and other post-secondary institutions play a critical role in Canadian R&D activities. These institutions provide the knowledge and the skilled labour force necessary for innovation, and serve as incubators for new ideas in basic and applied research.

In Canada, higher education institutions account for about 30% of the R&D work performed. In Manitoba, the role of higher education is even more important as higher education (including related institutes, clinics and research stations) accounts for more than half of the R&D activity.

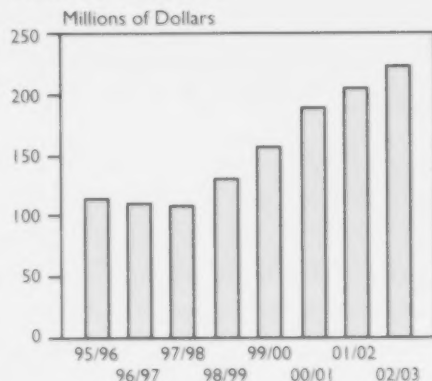
Statistics Canada estimates that R&D expenditure by Manitoba's higher education sector in 2002/03 was \$224.6 million, up from \$205.9 million in 2001/02 (see Chart 33). Natural sciences and engineering (including health sciences) accounted for approximately three-quarters of this total, while social sciences accounted for the remainder.

The University of Manitoba is one of Canada's major research universities. The University has enrollment of 27,600 students with more than 3,600 academic and support staff. The University's reputation for outstanding research has earned it national and international recognition, and helps it to earn over \$100 million annually in grants and contracts. Many of the research projects conducted at the University involve collaboration and partnership with other higher education institutions, private firms, community organizations and governments. The University is home to more than 20 research centres and institutes ranging in scope from defence and security studies to cardiovascular sciences.

The University is an active participant in the National Networks of Centres of Excellence program. Currently, the University's researchers participate in 16 of the 21 networks created under this program, and the University is the network leader of Intelligent Sensing for Innovative Structures Canada, the national network focusing on "smart" civil infrastructure.

The University of Manitoba has established 32 Canada Research Chairs, with 15 additional chairs under active recruitment. The research programs of these chairs focus on such important fields as infection and immunity, aerospace materials, protein chemistry, natural resource management and Canadian social history. The University's life sciences research activities are further strengthened through active partnerships with several major provincial medical research organizations, including the Health Sciences Centre, St. Boniface General Hospital, CancerCare Manitoba, the Manitoba Institute of Child Health, the Canadian Science Centre for Human and Animal Health and the Institute for Biodiagnostics.

Chart 33
R&D Expenditure in Manitoba
Higher Education
1995/96-2002/03



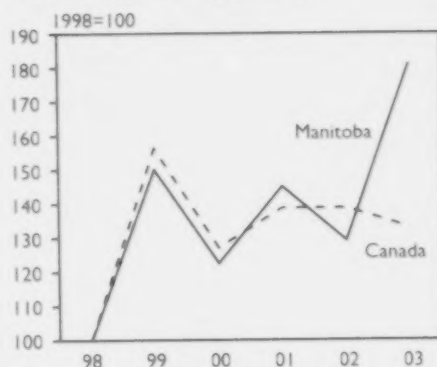
Source: Statistics Canada

Construction is continuing on the University's new Engineering and Information Technology Complex, which will provide leading-edge research and teaching facilities for engineering and computer science. New laboratories and equipment will help build on all current areas of research expertise – including advanced manufacturing, advanced materials, biomedical engineering, civil infrastructure, electrical power systems and information technology/communications – and create new research opportunities. In addition to building innovative links between the engineering and computer science disciplines, the complex will strengthen research collaboration with industry.

SMARTpark, the research and innovation park located at the University of Manitoba, continues to grow. SMARTpark brings together industry and the University to promote R&D and the development of knowledge-based industry. One of the key features of the park is its proximity and access to the extensive resources of the University.

Chart 34

Indexed Patents per One Million Population



Source: Institute of Chartered Accountants

University Of Manitoba National Centres of Excellence

- Intelligent Sensing for Innovative Structures, Canada (Leader)
- genetic diseases
- arthritis research
- stroke research
- robotics and intelligent systems
- bacterial diseases
- protein engineering
- water research
- sustainable forest management
- photonic innovations
- microelectronic devices and systems
- automobile design and engineering
- vaccines and immunotherapeutics
- mathematics of information technology
- advanced food and materials
- arctic research

Manitoba 

Budget Paper B

**FINANCIAL REVIEW
AND STATISTICS**

FINANCIAL REVIEW AND STATISTICS

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■ Introduction

In previous Budgets, the government has presented the projected transactions of the Operating Fund, that is, government departments and a limited number of Crown entities, as the primary measurement of the financial planning and management for the year to come, to demonstrate compliance with *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*, and to highlight the expenditures that require legislative approval.

The evolution of accounting standards in Canada has focused reporting on a broader definition of government. The Summary Budget consolidates the Operating Fund with the operations of all Crown enterprises and other organizations in the wider government entity, and includes changes in pension liabilities. The Manitoba government is committed to working with the Office of the Auditor General (OAG) on a plan that would see the budget and other financial reports presented on a summary basis for 2007/08. A steering group consisting of government officials and the OAG has identified several issues that need to be addressed in making the transition to summary budgets. Among the key challenges are:

- ensuring that the organizations in the wider government entity use Generally Accepted Accounting Principles (GAAP) for the preparation of their financial reports
- respecting the funding and governance relationships that have been established for organizations in the wider government entity, including universities and hospitals, as the government moves toward presenting its budgets on a summary basis
- developing an appropriate test that imposes the same level of fiscal responsibility and discipline as the present balanced budget legislation (BBL)

Manitoba will review the experience of other jurisdictions that have implemented summary budgeting. The government will consult with Manitobans and the Auditor General to ensure that these challenges are met in a clear and appropriate manner.

The Summary Budget and the Operating Fund

The Summary Budget projects the financial results of the entire provincial government entity. It encompasses not only the core operations and activities of government, but also those of Crown enterprises like Manitoba Hydro and Manitoba Public Insurance, and other entities like the University of Manitoba.

The Government is directly accountable for the overall result of its operations and, ultimately, those of its various agencies and enterprises. Under the governance model currently in place for Crown entities, the purposes and, generally, the mandates of these agencies and enterprises are set by legislation and they are directed by boards. These purposes and mandates can be commercial, regulatory or insurance-oriented. It is extremely difficult or impossible for government to respond immediately to financial setbacks resulting from, for example, the effect of severe weather conditions on Manitoba Hydro or the Manitoba Crop Insurance Corporation. In some cases, revenue-related adjustments such as auto-insurance premium and hydro-electricity rate increases are subject to review by the Public Utilities Board. Even though the government maintains a balance between revenue and expenditure for its departmental and other core operations, should a Crown organization or enterprise realize abnormal adverse results, it could negatively affect the Summary Budget balance and perhaps create a summary deficit.

Current BBL addresses itself to the Operating Fund, which is under the direct control of the government through the budget process. Unfavourable results in revenue generation can be offset by expenditure reductions, revenue adjustments, interfund transfers and/or other temporary measures.

As the Manitoba government moves toward making the Summary Budget the principal basis of fiscal planning and reporting, it must develop a balanced budget test that credibly and appropriately reflects the goals of maintaining a balance of financial responsibility and discipline to protect essential services along with stable and competitive tax rates.

At present, the government is required by legislation to present a budget and report financial results for the Operating Fund. The 2005 Budget provides a forecast of the financial results of the entire government entity.

This Budget Paper is divided into four sections.

Section 1

This section provides Summary Budget statements that incorporate results and plans for the entire government entity, including changes in pension liabilities. It updates the 2004/05 results and provides an outlook of operating results for the years 2005/06 through 2008/09.

Section 2

This section provides information specifically required by the legislature. This includes estimates of operating expenditure, operating revenue and balances under BBL, as well as capital investment and loan authority. These budget plans provide information on the core functions of the government under rules set out in that legislation.

Section 3

This section provides additional financial information. The ten-year summary of financial results includes ratios with respect to Gross Domestic Product and per capita information. Inter-provincial comparisons are provided with respect to debt, health expenditure, total program expenditure and total expenditure.

Section 4

This section provides a summary of progress made by this government in its budgeting and reporting, in order to provide greater transparency and to meet the standards of reporting advanced by the Public Sector Accounting Board (PSAB).

Note: The forecast results for 2004/05 presented in this budget paper are based on the province's Third Quarter Financial Report.

Interested parties are encouraged to access all the reports of the Government of Manitoba which are provided for the information of the legislature and the public. Links may be found on the Internet at <http://www.gov.mb.ca/finance>.

■ Report on Consolidated Operations and Summary Budget Projection

The Summary Budget reflects the financial activities of the government reporting entity. It includes the balance under BBL, the changes in the balances of Special Funds, net contributions of government enterprises and Crown organizations, and changes in pension liabilities.

The balance under BBL is comprised of the Operating Fund result as well as the transfers to or from the Debt Retirement Fund and the Fiscal Stabilization Fund. Positive balances must be transferred to the Fiscal Stabilization Fund.

For the purposes of calculating the Summary Budget Projection, the following adjustments must be made to determine Consolidated Net Income (Loss):

- total changes in special funds
- net results of government enterprises and Crown organizations
- consolidation adjustments
- pension items

These adjustments are explained in the pages following the Medium-Term Summary Budget Projection table.

2004/05 Forecast Result

2004/05 Operating Fund forecast results indicate a large positive balance under BBL due mainly to increased federal transfer payments coming from the September 2004 First Ministers' health care funding agreement, and a large increase in Equalization payments, substantial portions of which are non-recurring. The balance under BBL will be transferred to the Fiscal Stabilization Fund, and accounts for the largest portion of the increase in Consolidated Net Income.

In addition, Manitoba's government enterprises and other Crown organizations, led by Manitoba Hydro, are forecast to generate net profits of \$634 million. This is \$172 million more than the amount budgeted and, once consolidation adjustments are factored in, their net contribution to Consolidated Net Income are forecast to be \$134 million.

The Consolidated Net Income for 2004/05 is forecast at \$417 million, an improvement of \$475 million from budget.

Summary Comparative Statement, 2004/05

	2004/05 Budget	2004/05 Forecast	Difference
(Millions of Dollars)			
Operating Fund Result	99	413	314
Interfund Transfers/Debt Retirement			
Debt retirement payment	(96)	(99)	(3)
Fiscal Stabilization Fund	0	0	
Balance under BBL/Transfer to FSF	3	314	311
Special Funds (Changes in Balance)			
Debt Retirement Fund	(180)	(180)	
Fiscal Stabilization Fund	5	316	311
Other	(2)	(2)	
Consolidation Adjustment	202	202	
Total Changes in Special Funds	24	336	311
Government Enterprises and Crown Organizations			
Government Business Enterprises			
Manitoba Hydro	37	142	105
Manitoba Public Insurance	12	30	18
Manitoba Lotteries Corporation	232	270	38
Manitoba Liquor Control Commission	187	185	(2)
Special Operating Agencies	10	14	4
Manitoba Crop Insurance and Agricultural Credit Corporations	(29)	(86)	(56)
Other Crown Org. and Enterprises	13	79	66
Consolidation Adjustments	(435)	(472)	(37)
Net Enterprises and Organizations	27	161	134
Net Pension Items	(109)	(80)	29
Consolidated Net Income (Loss)	(58)	417	475

Totals may not add due to rounding.

This table summarizes the forecast results for 2004/05 as compared to the estimate printed in the 2004 Manitoba Budget.

Medium-Term Summary Budget Projection

(Millions of Dollars)

	FOR ILLUSTRATION				
	2004/ 2005f	2005/ 2006b	2006/ 2007p	2007/ 2008p	2008/ 2009p
Revenues	8,204	8,177	8,427	8,672	8,967
Expenditures	(7,791)	(8,064)	(8,343)	(8,559)	(8,854)
Operating Fund Result	413	113	83	113	113
Interfund Transfers/Debt Retirement					
Debt retirement payment	(99)	(110)	(110)	(110)	(110)
Fiscal Stabilization Fund	0	0	30	0	0
Balance under BBL/Transfer to FSF	314	3	3	3	3
Special Funds (Changes in Balance)					
Debt Retirement Fund	(180)	27	28	29	30
Fiscal Stabilization Fund	316	14	(14)	17	17
Other	(2)	0	(2)	(2)	(2)
Consolidation Adjustment	202	-	-	-	-
Total Changes in Special Funds	336	41	12	44	46
Government Enterprises and Crown Organizations					
Government Business Enterprises					
Manitoba Hydro	142	210	122	109	106
Manitoba Public Insurance	30	8	9	10	11
Manitoba Lotteries Corporation	270	271	271	271	271
Manitoba Liquor					
Control Commission	185	187	192	196	201
Special Operating Agencies	14	12	12	12	12
Manitoba Crop Insurance and Agricultural Credit Corporations	(86)	(22)	(19)	(16)	(14)
Other Enterprises and Organizations	79	50	50	50	50
Consolidation Adjustments	(472)	(475)	(479)	(484)	(489)
Net Enterprises and Organizations	161	242	157	149	149
Pension Expense for Unfunded Liability	(196)	(206)	(214)	(221)	(223)
Increase in Pension Assets Fund	116	119	128	139	150
Net Pension Items	(80)	(87)	(86)	(82)	(73)
Consolidated Net Income	417	196	84	111	121

f - Forecast b - Budget p - Projection

Totals may not add due to rounding.

2007/08 and 2008/09 are presented for illustration purposes only. This presentation will change when government fully implements Summary Budget reporting. Work has begun on this initiative as described on page B2.

Summary Budget Projection to 2008/09

The medium-term fiscal prospects for Manitoba reflect steady economic growth and associated revenue out to 2008/09.

Operating Fund

Operating Fund revenue in respect of provincial taxation is expected to reflect solid economic growth, while other own-source revenue is expected to be relatively flat. The health funding agreement signed by First Ministers in September 2004 has resulted in increased financial resources for health care out into the future. Transfer payments under the Equalization Program are to be reviewed by a federal panel and, until such time as new estimates are announced, it is assumed that revenue will grow in line with current legislation.

Overall revenue growth takes place against the backdrop of a growing economy both in Manitoba and Canada as a whole. According to the February 2005 Conference Board Forecast, Manitoba's nominal Gross Domestic Product is expected to increase by 4.1% in 2006 and average 4.2% over the medium term.

Operating Fund program expenditure is projected to increase by 3.2% over the medium term – a rate that would effectively sustain key public services and provide for modest improvements in areas of greatest priority, such as health care, education and infrastructure.

Unallocated debt servicing costs are expected to average about \$294 million over the 2006/07 to 2008/09 period.

2007/08 and 2008/09 are presented for illustration purposes only. This presentation will change when government fully implements Summary Budget reporting. Work has begun on this initiative as described on page B2.

Total Changes in Special Funds

A number of special funds have been created by the legislature for defined purposes. The two principal ones are the Fiscal Stabilization Fund (FSF) and the Debt Retirement Fund (DRF). There are also a number of small, special-purpose funds – for example the Mining Community Reserve Fund and the Quarry Rehabilitation Reserve – that in total have little effect on the overall balance.

In 2004/05, \$281 million held in the DRF was withdrawn and applied to reduce outstanding debt. This is in accordance with the provisions of debt repayment legislation, which mandates collapsing the fund at least once every five years. An amount of \$79 million was allocated to the Pension Assets Fund (PAF) and \$202 million was deposited to the Sinking Fund. Details of the DRF for 2004/05 are reported on page B21.

The \$202 million allocation to the Sinking Fund is not considered an expense for accounting purposes, and a consolidation adjustment is required. Before this transfer, Special Funds are expected to achieve a positive result of \$134 million for 2004/05.

For 2005/06, the FSF and DRF balances will grow as deposits are made from the Operating Fund.

Contributions of Government Enterprises and Crown Organizations

This report records the net changes in operating balances (profits or losses) of Government enterprises, Crown corporations, entities and special operating agencies (SOAs) during the fiscal year. The Crown corporations having the greatest net impact on the consolidated financial results are listed. The contributions of other government entities and organizations are provided in aggregate.

An entry of note is the projected result of Manitoba Hydro for the 2004/05 fiscal year. After a loss on operations of \$436 million in 2003/04 due to the effect on water flows of a widespread and prolonged drought, Manitoba Hydro is expected to record profits of \$142 million in 2004/05. For fiscal year 2005/06, Manitoba Hydro's profits are expected to increase to \$210 million. Profits of between \$106 and \$122 million are projected over the medium term.

Consolidation Adjustments

Consolidation adjustments are made to prevent double counting of revenue or expense items between the government and its related entities. Specifically:

- The full amount of profits from Manitoba Lotteries Corporation and the Liquor Control Commission are included in Operating Fund Revenue, and so are fully offset in Consolidation Adjustments.
- Revenue-sharing payments from SOAs are included in Operating Revenue and are deducted here.

Pension Items

Upon coming into office, the government put into place a plan to retire the General Purpose Debt and to eliminate the government's pension liability. If the pension liability would not have been addressed it was projected that it would grow to \$8.4 billion by 2028, and would continue to grow after that.

The 2000 Manitoba Budget introduced a comprehensive approach to address both debt and pension obligations, and in the 2002 Budget the plan was enhanced to reduce the term over which the pension liability will be eliminated. The plan provides for debt and pension obligation funding of \$110 million per year for 2005/06 and upcoming fiscal years.

This forecast projects an allocation from the DRF of \$87 million per year over the medium term to the PAF. Interest earnings and net contributions from departments and Crowns produce the additional increases in the PAF.

Consolidated Net Income

The Summary Budget represents the financial plan for the entire government entity as defined in Schedule 8 of the Summary Financial Statements of the Public Accounts.

Manitoba's financial result is forecast to improve significantly in 2004/05. Increased federal health and Equalization transfers and a return to profitability for Manitoba Hydro's operations, mean the 2004/05 Consolidated balance is forecast to be \$417 million, an improvement of over \$1 billion from the 2003/04 results. Of this total, \$578 million is the result of the improvement in Manitoba Hydro's balance.

For 2005/06, federal transfer payments are expected to be \$122 million lower than in 2004/05. However, own-source revenue is expected to increase by \$95 million, and Manitoba Hydro is expected to realize a higher level of profit. Consolidated Net Income for 2005/06 is projected to total \$196 million. Over the period to 2008/09, the outlook remains positive.

■ Operating Fund Overview

Budget 2005 sets out the government's plans for the coming year – Balancing Priorities, Building Opportunities, Investing in Tomorrow. The budget is balanced under BBL and is also balanced for the wider, consolidated Summary Budget.

As a result of the agreement reached by first ministers in the fall of 2004, federal funding for health care has been increased. In addition, under the federal government's transitional funding plan, Equalization payments for Manitoba have increased over the short term. This additional transfer support from the federal government is invested in health care and other priority programs of Manitobans.

Budget 2005 shows that:

- Medium-term projections indicate continued compliance with BBL for the Operating Fund and future surpluses for the Consolidated Summary Budget.
- An additional \$110 million will be provided to repay outstanding pension liability and General Purpose Debt. Since 1999/2000, including the current fiscal year, \$594 million has been set aside for debt and pension payments. Debt to GDP ratios as measured by the Dominion Bond Rating Service (DBRS) continued to decline from 38.7% in 1999/2000 to 33.9% in 2004/05.
- In 2004/05, additional Equalization transfers and the federal government's prepayment of its commitments for reducing health care waiting lists, as well as stronger than anticipated performance in some own-source revenues, will result in an expected payment of \$314 million into the FSE. No draw from the fund is projected in 2005/06.
- In 2005, the Education Support Levy for homeowners will fall by a further \$30 million and farmers will receive rebates offsetting 50% of their school taxes on farmland. In 2006, the middle income tax rate will fall to 13.5%, the basic personal amount will increase by \$100, and the tax rates for corporations will fall to 14.5% and 4.5% for small business. Other measures to support Manitoba's film industry and to encourage investment in equipment and property are also outlined.
- Municipal governments can expect increased support through the new Building Manitoba Fund, and there are more resources for infrastructure and water protection programs.
- The government is committed to working with the OAG to fully implement GAAP in its financial reporting, establishing the Consolidated Summary Budget as the primary reporting tool for the 2007/08 fiscal year.

Budget 2005 meets the commitments government has made to Manitobans, meeting its obligations to debt and pension liabilities, investing in key programs and services, providing affordable tax reductions for individuals and business, and replenishing the FSE.

■ 2004/05 Forecast Result

Note: The forecast results for 2004/05 presented in this budget paper are based on the province's Third Quarter Financial Report.

Results for 2004/05 reflect economic developments that have taken place over the course of the year along with the outcomes of two major First Ministers' Meetings, all of which have had significant impacts on the province's fiscal situation.

Revenue

Despite the sharp appreciation of the Canadian dollar relative to its U.S. counterpart and somewhat weaker than anticipated economic growth (see Budget Paper A: The Economy), revenue for 2004/05 is now expected to be \$551 million above that projected in the 2004 Budget. Both provincial own-source revenue (\$80 million) and federal transfer payments (\$471 million) will be higher than previously projected. Equalization payments are forecast to be \$184 million higher than budget as a result of changes in the legislation that is currently before the House of Commons, and \$79 million higher due to changes in in-year entitlements. Health and social transfers will increase by \$205 million, primarily as a result of the federal government pre-funding the first five years of its commitment to help provinces reduce waiting times (\$155 million) as well as other health-related programs. Higher than anticipated Corporation Income Tax collections and Manitoba Lotteries Corporation revenue offset lower than expected collections in respect of Retail Sales Tax and Individual Income Tax.

Expenditure

Total expenditure in 2004/05 is expected to be \$237 million above 2004 Budget projections. This reflects continuing cost pressures in Manitoba Health (\$84 million) and Manitoba Family Services and Housing (\$23 million), the impact of changes in accounting standards (\$35 million), cost pressures associated with the BSE crisis (\$19 million) and the Farmland School Tax Rebate (\$13 million). Unallocated debt servicing costs will be \$2 million below the budgeted amount.

Net Revenue

Net revenue, resulting from both higher than budgeted revenue and expenditure, will be \$413 million in 2004/05, \$314 million above the \$99 million figure projected in the 2004 Budget.

Balance under Balanced Budget Legislation

The net result for the 2004/05 fiscal year will be a positive balance of \$314 million under BBL. As well, \$99 million will be utilized for the repayment of general purpose debt and retirement of pension liabilities. The balance under BBL will be deposited in the FSE.

Comparative Statement of Budgetary Revenue, Expenditure, Transfers and Balance

2004/05

	2004/05 Forecast	2004/05 Budget	Increase/(Decrease) From Budget to Forecast	
	(Millions of Dollars)		(Millions of Dollars)	%
Revenue				
Own-Source	5,204	5,124	80	1.6
Federal Transfers	2,918	2,447	471	19.2
Total Revenue	<u>8,122</u>	<u>7,571</u>	<u>551</u>	7.3
Expenditure				
Program	7,472	7,233	239	3.3
Unallocated Debt Servicing ¹	237	239	(2)	(0.8)
Total Expenditure	<u>7,709</u>	<u>7,472</u>	<u>237</u>	3.2
Net Revenue	413	99	314	
Interfund Transfers				
Debt/Pension Repayment	(99)	(96)	(3)	(3.1)
Fiscal Stabilization Fund	<u>0</u>	<u>0</u>	<u>0</u>	
Balance under Balanced Budget Legislation	<u>314</u>	<u>3</u>	<u>311</u>	

Note 1: Excludes \$85 million allocated to departments in respect of the carrying costs of their tangible capital assets.

Comparative Statement of Budgetary Revenue, Expenditure, Transfers and Balance

2005/06 and 2004/05

	2005/06 Budget	2004/05 ¹ Forecast	2004/05 ¹ Budget	Increase/ (Decrease) from 2004/05 Forecast to 2005/06 Budget		Increase/ (Decrease) from 2004/05 Budget to 2005/06 Budget	
	(Millions of Dollars)			(Millions of Dollars)	%	(Millions of Dollars)	%
Revenue							
Own-Source	5,381	5,286	5,206	95	1.8	175	3.4
Federal Transfers	2,796	2,918	2,447	(122)	(4.2)	349	14.3
Total Revenue	<u>8,177</u>	<u>8,204</u>	<u>7,653</u>	<u>(27)</u>	<u>(0.3)</u>	<u>524</u>	<u>6.8</u>
Expenditure							
Program	7,795	7,554	7,315	241	3.2	480	6.6
Unallocated							
Debt Servicing ²	269	237	239	32	13.5	30	12.6
Total Expenditure	<u>8,064</u>	<u>7,791</u>	<u>7,554</u>	<u>273</u>	<u>3.5</u>	<u>510</u>	<u>6.8</u>
Net Revenue	113	413	99	(300)		14	
Interfund Transfers							
Debt/Pension Repayment	(110)	(99)	(96)	(11)		(14)	
Fiscal Stabilization Fund	0	0	0	0		0	
Balance under Balanced Budget Legislation	<u>3</u>	<u>314</u>	<u>3</u>	<u>(311)</u>		<u>0</u>	

Note 1: The 2004/05 information has been adjusted to be consistent with the 2005/06 Estimates structure.

Note 2: Excludes \$84 million in 2005/06 (\$85 million in 2004/05) allocated to departments in respect of the carrying costs of their tangible capital assets.

■ 2005/06 Budget

Revenue

When compared to the 2004/05 forecast, total revenue is projected to decline in 2005/06 by \$27 million, or 0.3%. Own-source revenue is expected to grow by \$95 million, as continued strong economic performance in Manitoba translates into more jobs, more investment and more output. Offsetting this underlying strength will be a \$122 million decline in transfer revenue from the federal government. Equalization payments to Manitoba will decline by \$98 million in 2005/06. There will also be an overall decline in respect of health care funding, which primarily reflects the fact that the federal government's pre-funding the first five years of its commitment to help provinces reduce waiting times is being recorded as revenue in 2004/05.

Expenditure

When compared to the 2004/05 forecast, total expenditure is projected to increase by \$273 million, or 3.5% in 2005/06. Budgetary program expenditure is projected to increase by \$293 million, with health care expenditures accounting for 48% of the increase. Debt servicing costs are expected to increase by \$32 million, reflecting higher average interest rates.

Net Revenue

The projected decline in revenue, coupled with slower expenditure growth, is expected to result in net revenue of \$113 million in 2005/06.

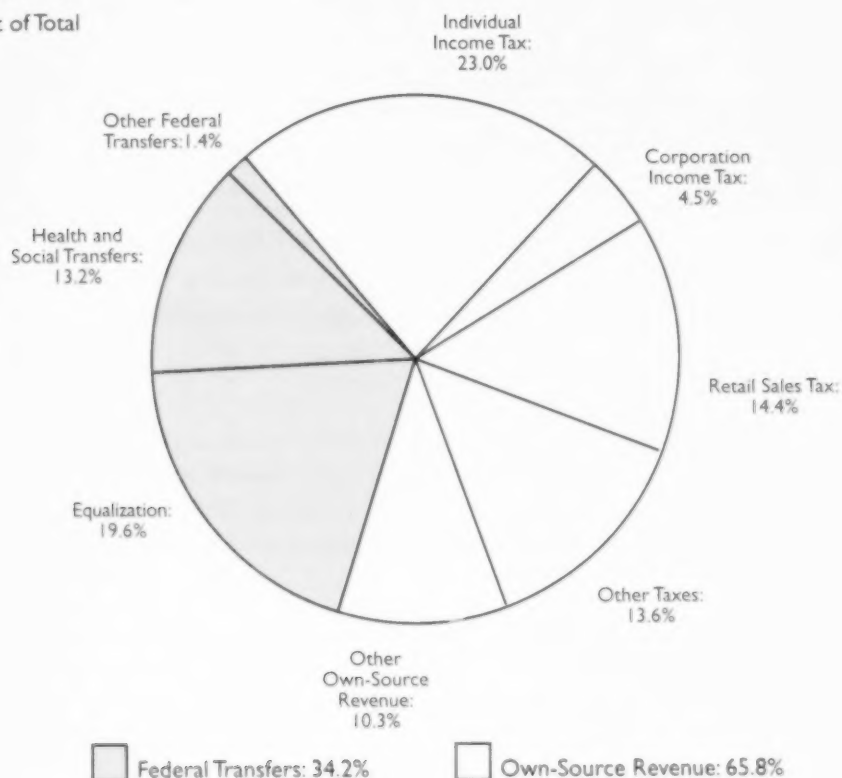
Balance under Balanced Budget Legislation

In 2005/06, \$110 million will be applied against general purpose debt and pension liabilities, \$11 million more than forecast in 2004/05. No draw is anticipated from the FSF and the projected balance under BBL will be \$3 million.

Provincial Revenue, 2005/06

Major Sources

Per cent of Total

**Revenue by Source**

2005/06 and 2004/05

	2005/06 Budget	2004/05 Forecast	Change 2005/06 from 2004/05 Forecast
	(Millions of Dollars)		(Millions of Dollars)
Total Taxation	4,538	4,454	84
Other Revenue	843	832	11
Own-Source Revenue	5,381	5,286	95
Government of Canada	2,796	2,918	(122)
Total Revenue	8,177	8,204	(27)

Revenue Estimates

(Thousands of Dollars)

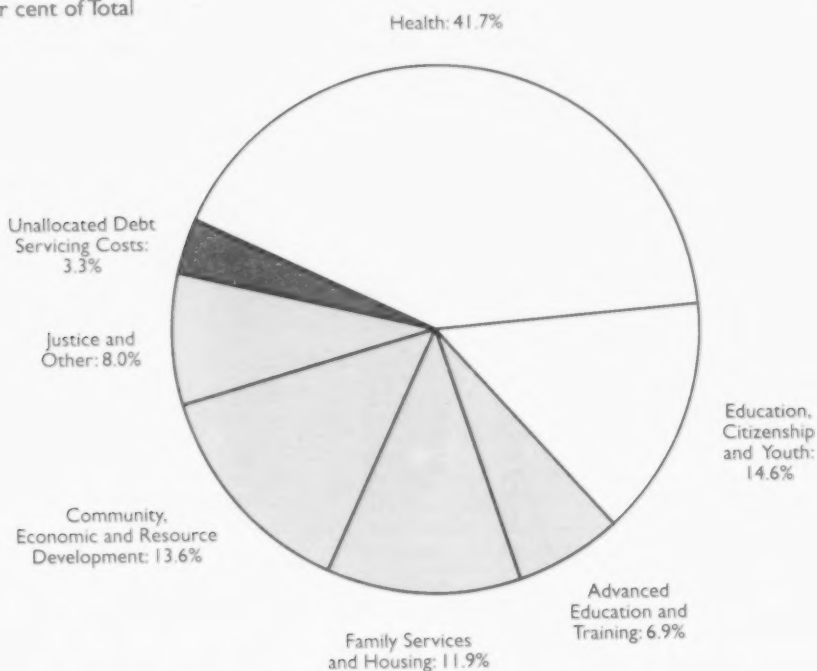
				Per cent	
				Change 2005/06 from	
	2005/06 Estimate	2004/05 Forecast ¹	2004/05 Budget ¹	2004/05 Forecast	2004/05 Budget
■ Own-Source Revenue					
Income Taxes					
• Individual Income Tax	1,876,900	1,830,894	1,844,244		
• Corporation Income Tax	365,600	399,449	339,349		
Subtotal	2,242,500	2,230,343	2,183,593		
Taxes, Levies and Collections					
• Corporation Capital Tax	167,500	166,500	153,500		
• Gasoline Tax	155,500	154,700	157,700		
• Insurance Corporations Tax	54,000	52,800	52,500		
• Land Transfer Tax	24,000	22,127	21,000		
• Levy for Health and Education	294,300	284,000	280,800		
• Mining Tax	57,200	57,230	57,230		
• Motive Fuel Tax	78,000	77,600	77,600		
• Oil and Natural Gas Tax	2,720	3,015	2,277		
• Retail Sales Tax	1,180,800	1,125,000	1,154,300		
• Revenue Act, 1964, Part I	73,800	73,400	73,400		
• Tobacco Tax	203,700	203,700	203,700		
• Environmental Protection Tax	3,200	3,200	3,200		
• Other Taxes	72	72	72		
Subtotal	2,294,792	2,223,344	2,237,279		
Total Taxation Revenue	4,537,292	4,453,687	4,420,872	1.9	2.6
Fees and Other Revenue					
• Fines and Costs and Other Legal	33,859	31,620	34,757		
• Minerals and Petroleum	6,495	7,338	5,431		
• Automobile and Motor Carrier Licences and Fees	97,998	85,853	85,853		
• Drivers' Licences	17,916	17,916	17,916		
• Water Power Rentals	105,000	105,100	100,000		
• Parks, Forestry, and Other Conservation	38,801	28,132	26,563		
• All Other Manitoba Collections	67,910	84,142	78,816		
Subtotal	367,979	360,101	349,336		
Crown Corporations/Entities					
• Manitoba Lotteries Corporation	271,000	270,000	232,000		
• Manitoba Liquor Control Commission	187,000	184,600	187,000		
• Other	17,005	17,975	16,525		
Subtotal	475,005	472,575	435,525		
Total Other Revenue	842,984	832,676	784,861	1.2	7.4
■ Federal Transfers					
• Equalization	1,601,000	1,699,015	1,435,800		
• Canada Health Transfers (CHT)	726,400	705,700	495,600		
• Canada Social Transfer (CST)	320,100	304,200	309,200		
• Child Care	5,000	0	0		
• Health Reform Fund	0	55,000	55,000		
• Other Health Funds	26,452	40,018	42,100		
• Other Transfers	117,370	113,739	109,483		
Total Federal Transfers	2,796,322	2,917,672	2,447,183	(4.2)	14.3
■ Total Budgetary Revenue	8,176,598	8,204,035	7,652,916	(0.3)	6.8

Note 1: The 2004/05 information has been adjusted to be consistent with the 2005/06 Estimates structure.

Provincial Operating Expenditure, 2005/06

Major Categories

Per cent of Total



Program Expenditure Estimates

2005/06 and 2004/05

	2005/06 Budget	2004/05 Forecast ¹	Change 2005/06 from 2004/05 Forecast
	(Millions of Dollars)		(Millions of Dollars)
Health	3,390	3,273	117
Advanced Education and Training	556	557	(1)
Education, Citizenship and Youth	1,189	1,141	48
Family Services and Housing	969	935	34
Other Departments	1,756	1,661	95
Total Program Expenditure Estimates	7,860	7,567	293

Note 1: The 2004/05 information has been adjusted to be consistent with the 2005/06 Estimates structure.

Operating Expenditure Estimates

(Thousands of Dollars)

	2005/06 Estimate	2004/05 Forecast ¹	2004/05 Budget ¹	Per cent Change 2005/06 from	
				2004/05 Forecast	2004/05 Budget
■ Health	3,389,760	3,273,228	3,188,872	3.6	6.3
■ Education					
• Advanced Education and Training	556,414	557,001	543,159		
• Education, Citizenship and Youth	1,189,335	1,140,599	1,105,912		
Total Education	1,745,749	1,697,600	1,649,071	2.8	5.9
■ Family Services and Housing	969,278	935,406	912,698	3.6	6.2
■ Community, Economic and Resource Development					
• Aboriginal and Northern Affairs	30,420	28,983	29,189		
• Agriculture, Food and Rural Initiatives	174,364	158,306	146,079		
• Conservation	111,185	105,871	104,944		
• Energy, Science and Technology	56,790	54,298	54,154		
• Industry, Economic Development and Mines	29,134	27,468	28,476		
• Intergovernmental Affairs and Trade	222,097	199,382	196,750		
• Transportation and Government Services	388,913	382,279	383,473		
• Water Stewardship	48,370	46,280	45,255		
• Enabling Appropriations	19,530	10,633	20,332		
• Other Appropriations	25,805	41,688	25,810		
Total Community, Economic and Resource Development	1,106,608	1,055,188	1,034,462	4.9	7.0
■ Justice and Other Government					
• Legislative Assembly	26,585	25,009	24,181		
• Executive Council	2,617	2,563	2,563		
• Civil Service Commission	4,659	4,270	4,276		
• Culture, Heritage and Tourism	69,994	67,061	67,723		
• Employee Pensions and Other Costs	74,255	64,042	67,737		
• Finance	102,129	98,955	98,919		
• Healthy Child Manitoba	24,775	21,665	22,315		
• Justice	284,184	272,847	268,186		
• Labour and Immigration	31,209	29,761	29,139		
• Manitoba Seniors and Healthy Aging Secretariat	921	741	741		
• Sport	11,155	11,053	10,644		
• Enabling Appropriations	16,050	7,676	3,089		
Total Justice and Other Government ...	648,533	605,643	599,513	7.1	8.2
■ Total Program Expenditures	7,859,928	7,567,065	7,384,616	3.9	6.4
■ Unallocated Debt Servicing Costs	268,984	236,980	238,682	13.5	12.7
■ Total Expenditure Estimates	8,128,912	7,804,045	7,623,298	4.2	6.6
■ Less: Year-End Lapse	(65,000)	(13,000)	(70,000)		
■ Total Budgetary Expenditure	8,063,912	7,791,045	7,553,298	3.5	6.8

Note 1: The 2004/05 information has been adjusted to be consistent with the 2005/06 Estimates structure.

■ Special Funds Balances

Fiscal Stabilization Fund

In 2004/05, there will be no draw from the FSF. The positive balance in the operating fund, projected at \$314 million, is deposited in the FSF. The budgeted draw for 2005/06 is nil. The closing balance of the fund is projected to be \$409 million.

Fiscal Stabilization Fund

Revenue, Expenditure and Balance

Projection as at March 31, 2006 and March 31, 2005

	2005/06 Budget	2004/05 Forecast
	(Millions of Dollars)	
Fund Balance, Beginning of Year	395	79
Revenue		
Balance Under Balanced Budget Legislation	3	314
Interest	11	2
	14	316
Expenditure		
Transfer to Operating Fund	0	0
Fund Balance, End of Year	409	395

Debt Retirement Fund

In accordance with *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*, a \$99 million deposit to the DRF is required in 2004/05. In 2005/06, a deposit of \$110 million will be made to the fund.

For 2004/05, the Allocation Committee determined that the allocation is \$22 million to General Purpose Debt and the balance to Pension Liability.

The debt repayment provisions of the Act require that at least once every five years, the fund be collapsed and all amounts be allocated to the Province of Manitoba Sinking Fund (debt) or to the PAF. In 2004/05, \$202 million will be applied against General Purpose Debt. The transfer to the Sinking Fund occurred in April 2004.

For 2005/06, it is assumed that the allocation will be \$87 million to Pension Liability.

Debt Retirement Fund

Revenue, Expenditure and Balance

Projection as at March 31, 2006 and March 31, 2005

	2005/06 Budget	2004/05 Forecast
	(Millions of Dollars)	
Fund Balance, Beginning of Year	0	180
Revenue		
Transfer from Operating Fund	110	99
Interest	3	2
	113	101
Expenditure		
Transfer to Sinking Fund	0	(202)
Transfer to Pension Assets Fund	(87)	(79)
Fund Balance, End of Year	26	0

Pension Assets Fund

It is assumed that \$87 million should be allocated to the PAF for 2005/06.

The fund had net investment earnings of \$31 million in 2004/05. The budget projects a return of \$26 million in 2005/06.

The fund is expected to have a balance of \$502 million by the end of the 2005/06 fiscal year.

Pension Assets Fund

Receipts, Expenditure and Balance

Projection as at March 31, 2006 and March 31, 2005

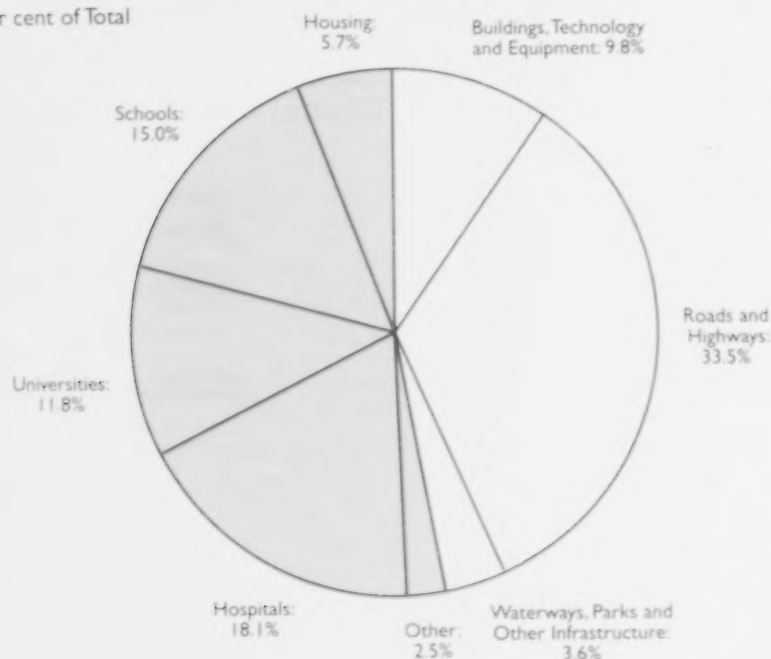
	2005/06 Budget	2004/05 Forecast
	(Millions of Dollars)	
Fund Balance, Beginning of Year	383	267
Contributions		
Debt Retirement Fund	87	79
Net Investment Earnings	26	31
Departments and Crown Organizations	6	6
	119	116
Fund Balance, End of Year	502	383

■ Capital Investment – Replacement Value of Public Assets

Over the years, Manitoba's communities and the economy have benefited from many investments in general assets such as schools, health facilities and public service buildings as well as infrastructure assets such as roads, water control structures and parks. These assets have contributed to vital public services, including learning, health, physical and electronic access to other government programs as well as providing the infrastructure for economic and community development. The public good provided by these investments is immeasurable; however, it is estimated that the insured or replacement value of these investments is \$23 billion.

Replacement Value of Public Assets

Per cent of Total



Total Value: \$23.4 billion

Note 1: Excludes municipal assets and government enterprises such as Manitoba Hydro.

☐ Indirect Provincial Assets: 53.1%
 ☐ Direct Provincial Assets: 46.9%

■ Capital Investment

Provincially owned capital assets such as highways, waterways, buildings, machinery and computer systems are amortized over their useful life based on established guidelines for amortization (see Appendix B of the 2005/06 Estimates of Expenditure). The amortization and interest costs are borne by departments that are responsible for each asset and are reflected as annual costs related to capital assets. Capital grants are also provided to third parties such as municipalities, schools and universities as contributions toward capital projects. In total, costs related to capital assets are estimated at \$410 million in 2005/06, an increase of \$5 million from 2004/05.

Authority for the annual cost to acquire provincially owned assets is reflected as Part B – Capital Investment which totals \$226 million in 2005/06, an increase of \$85 million from 2004/05, largely due to \$56 million for floodway expansion and a \$16 million increased investment in provincial roads and highways.

Capital Grants and Costs Related to Capital Assets, 2005/06

(Thousands of Dollars)

	2005/06 Budget	2004/05 Budget
Capital Grants	221,512	219,001
Infrastructure Assets	130,068	130,512
General Assets	57,941	55,426
	<u>409,521</u>	<u>404,939</u>

Capital Investment, 2005/06

(Thousands of Dollars)

	2005/06 Budget	2004/05 Budget
General Assets		
Government Services Capital Projects.....	17,463	14,600
Transportation Equipment and Other Capital	16,820	13,068
Information Technology Projects		
Corporate Information Technology Projects.....	10,500	7,935
Advanced Education and Training.....	3,538	3,120
Family Services and Housing	2,341	2,300
Health	3,583	4,314
Justice.....	1,038	1,350
Other Projects.....	891	5,780
Other Equipment and Buildings.....	2,590	2,973
	<u>58,764</u>	<u>55,440</u>
Infrastructure Assets		
Manitoba Floodway Expansion	56,100	-
Provincial Roads and Highways	94,918	78,918
Water Stewardship Projects	4,000	4,016
Parks, Cottage and Camping Projects	6,351	2,658
Other Infrastructure Projects.....	6,000	-
	<u>167,369</u>	<u>85,592</u>
Total Capital Investment.....	<u>226,133</u>	<u>141,032</u>

■ Loan Act Requirements

The following table reflects expenditure authority to be included in *The Loan Act, 2005*.

Incremental Capital Authority Requirements for Non-Budgetary Programs, 2005/06

(Thousands of Dollars)

The Loan Act, 2005

The Manitoba Hydro-Electric Board	400,000
Health Capital Program	132,597
Manitoba Opportunities Fund Ltd.	90,000
The University of Manitoba	75,000
Manitoba Agricultural Credit Corporation	65,221
Manitoba Student Financial Assistance Program	16,490
Manitoba Housing and Renewal Corporation	14,929
The Manitoba Water Services Board	13,037
Special Operating Agencies Financing Authority - Fleet Vehicles Agency	7,600
Communities Economic Development Fund	6,910
Rural Economic Development Initiatives	998
Manitoba Film Guarantee Program	360
Manitoba Potash Corporation	130
Diagnostic Services Manitoba	61
International Education Program	9
	<u>823,342</u>

Non-Budgetary Capital Program, 2005/06

(Thousands of Dollars)

The Manitoba Hydro-Electric Board	645,000
Health Capital Program	342,979
Manitoba Agricultural Credit Corporation	119,350
Manitoba Opportunities Fund	45,000
Manitoba Lotteries Corporation	45,000
Manitoba Housing and Renewal Corporation	40,365
Manitoba Student Financial Assistance Program	39,177
Manitoba Industrial Opportunities Program	35,500
The Manitoba Water Services Board	26,477
Special Operating Agencies Financing Authority - Fleet Vehicles Agency	11,795
Communities Economic Development Fund	10,000
Diagnostic Services Manitoba	7,701
Miscellaneous Corporations, Agencies and Other Programs	12,084
	<u>1,380,428</u>

■ Borrowing Requirements

Manitoba's borrowing requirements for both general and self-sustaining purposes will total \$2.5 billion in 2005/06, of which \$2.1 billion is required for refunding. The remainder is required for capital investments including the Red River Floodway Expansion, and self-sustaining programs including Manitoba Hydro. Incremental capital authority requirements totaling \$823 million are provided by *The Loan Act, 2005*.

Borrowing Requirements

(Thousands of Dollars)

	Estimated Unfunded as at March 31, 2005	Refunding 2005/06	New Cash Requirements 2005/06	Estimated Repayments 2005/06	Borrowing Requirements 2005/06
General Government Program Debt	-	1,553,228	-	-	1,553,228
Capital Investments General Assets	-	-	29,000	-	29,000
Capital Investments Infrastructure Assets	-	-	97,800	-	97,800
Manitoba Hydro	80,000	243,127	265,000	-	588,127
Manitoba Hospital Facilities	-	208,000	27,000	35,000	200,000
Manitoba Lotteries Corporation	-	-	30,000	10,000	20,000
Business Support Programs	-	-	20,000	10,000	10,000
Manitoba Agricultural Credit Corporation	-	-	75,000	70,000	5,000
Manitoba Student Financial Assistance	-	-	39,177	34,177	5,000
Manitoba Housing and Renewal Corporation	-	-	40,365	35,365	5,000
The Manitoba Water Services Board	-	-	14,374	9,374	5,000
Communities Economic Development Fund	-	-	10,000	5,000	5,000
Fleet Vehicles Agency	-	-	8,076	5,076	3,000
Miscellaneous	-	-	8,390	8,390	-
	<u>80,000</u>	<u>2,004,355</u>	<u>664,182</u>	<u>222,382</u>	<u>2,526,155</u>

Statement of Valuation and Purpose of Direct and Guaranteed Debt Outstanding

(Thousands of Dollars) Unaudited

As at December 31, 2004 (with comparative figures for March 31, 2004)

	Canadian Dollar Valuation (Note 1) December 31/04	Canadian Dollar Valuation (Note 1) March 31/04	Increase (Decrease) December 31/04 over March 31/04
Direct Debt Payable in:			
Canadian Dollars	13,796,979	13,120,739	676,240
Issues Hedged to Canadian Dollars	2,982,191	3,210,936	(228,745)
U.S. Dollars	2,046,120	2,227,850	(181,730)
Issues Hedged to U.S. Dollars	879,774	957,913	(78,139)
Total Direct Debt	19,705,064	19,517,438	187,626
Guaranteed Debt Payable in:			
Canadian Dollars	713,589	910,083	(196,494)
U.S. Dollars	0	12,450	(12,450)
Total Guaranteed Debt	713,589	922,533	(208,944)
Total Direct and Guaranteed Debt (Note 2)	20,418,653	20,439,971	(21,318)
Less: Sinking Fund Investments	4,511,308	4,580,312	(69,004)
Less: Debt Retirement Fund	0	180,325	(180,325)
Net Direct and Guaranteed Debt (Note 3)	15,907,345	15,679,334	228,011

Note 1: The Canadian Dollar Valuation is calculated using the foreign currency exchange rates in effect at December 31, 2004 and at March 31, 2004. As at December 31, 2004, the U.S. dollar exchange rate was \$1.2036 (\$1.3105 at March 31, 2004).

Note 2: Direct and Guaranteed Debt are payable in Canadian and U.S. dollars. As at December 31, 2004, total Gross Debt was payable 86% in Canadian dollars and 14% in U.S. dollars. Of this total, General Government Program Debt and Other Debt was 100% payable in Canadian dollars. Manitoba Hydro Debt was payable 60% in Canadian dollars (57% at March 31, 2004) and 40% in U.S. dollars (43% at March 31, 2004).

Note 3: The above debt was issued for the following purposes:

	December 31, 2004		March 31, 2004	
	(\$ Thousands)	(\$ Per Capita) (Note 4)	(\$ Thousands)	(\$ Per Capita) (Note 4)
General Government Programs	6,574,499	5,604	6,545,810	5,607
The Manitoba Hydro-Electric Board	6,678,631	5,693	6,648,603	5,695
Capital Investments	351,667	300	321,284	275
Manitoba Hospital Facilities	522,000	445	499,000	427
Government Enterprises and Other (5)	484,359	413	477,642	409
Other	1,296,189	1,105	1,186,995	1,017
	15,907,345 (Note 6)	13,560	15,679,334	13,430

Note 4: Per Capita data is based upon population figures at October 1, 2004 and April 1, 2004 as reported by Statistics Canada.

Note 5: In 2003/04, the province, in accordance with Canadian GAAP, changed its accounting treatment for certain amounts owed to the federal government and for debentures issued by certain school boards and hospitals, the debt service of which is paid with future grants from the federal government. Amounts owed to the federal government over time, which were previously treated as accounts payable are now accounted for as loans payable. Debentures issued by school boards and hospitals, were previously recognized as an expense over the life of the debentures as grants for debt service were made and were held by the Provincial Sinking Fund and Manitoba Public Insurance (MPI), a Crown corporation). Now the obligation to fund debt principal repayments is expensed in full at the time the debenture is issued. Any of these debentures held by MPI are recorded as "Loans Payable to Government Enterprises." The government also recognized a loan payable in respect of the pension liability of the Manitoba Liquor Control Commission.

Note 6: General Government Program Debt increased by \$28.7 million due to the funding of disaster-related items offset by the annual contribution to the Debt Retirement Fund and matured debt not yet funded. All other debt increased \$199.3 million due to the continued consolidation of hospital facilities debt on to the province's records, Provincial Part B Capital requirements, an increase in loans payable to MPI for School Division debentures purchased and Manitoba Hydro's new capital requirements offset by a net increase in Manitoba Hydro's sinking fund together with the impact of a stronger Canadian dollar. Manitoba Hydro's U.S. dollar revenues are sufficient to pay the interest and principal on all outstanding U.S. dollar debt.

Direct and Guaranteed Debt

Net Maturities to March 31, 2044

Canadian Valuation Payable In

	Canadian Dollars	U.S. Dollars	Net Maturities
		(Millions of Dollars)	
2004/05	84	-	84
2005/06	1,711	243	1,954
2006/07	1,131	602	1,733
2007/08	1,718	-	1,718
2008/09	1,774	-	1,774
2009/10	378	317	695
2010/11	641	57	698
2011/12	405	-	405
2013 - 17	2,062	407	2,469
2018 - 22	1,095	843	1,938
2023 - 27	300	-	300
2028 - 44	1,704	-	1,704
Treasury Bills and Promissory Notes	435	-	435
	<u>13,438</u>	<u>2,469</u>	<u>15,907</u>

SECTION 2

The above table is based on foreign exchange rates at December 31, 2004.

Manitoba Financial Statistics, Ten-Year Summary

	2005/06 Budget	2004/05 ⁴ Forecast	2003/04 Actual	2002/03 ⁴ Actual	2001/02 Actual
(Millions of Dollars)					
FINANCIAL STATEMENTS					
Revenue					
Own-Source Revenue ¹	5,381	5,286	4,874	4,874 ²	4,623
Federal Transfers	2,796	2,918	2,515	2,230	2,207
Total	8,177	8,204	7,389	7,104	6,829
Expenditure					
Program Expenditure ¹	7,795	7,554	7,212	6,705	6,407
Public Debt Costs ⁴	269	237	311	321	414
Total	8,064	7,791	7,522	7,026	6,820
Net Revenue/(Expenditure)	113	413	(133)	78	9
Emergency/Extraordinary Items			71 ⁵		
Debt/Pension Repayment	(110)	(99)	(96)	(96)	(96)
Transfers from/(to) Fiscal Stabilization Fund	0	0	171	22	150
Balance under Balanced Budget Legislation	3	314	13	4	63
Net Direct and Guaranteed Debt					
General Purpose ⁶	6,591	6,594	6,546	6,355	6,406
Manitoba Hydro	6,892	6,726	6,649	6,344	6,263
Other	1,401	1,343	1,187	1,116	1,099
Health Facilities	584	542	499	445	390
Government Enterprises and Other ⁶	468	498	478	0	0
Capital Investments	490	363	321	295	245
Total	16,425	16,066	15,679	14,554	14,403
Other Obligations					
Pension Liability	3,973	3,787	3,571	3,411	3,217
Pension Assets	(502)	(383)	(267)	(151)	(107)
Net Pension Liability	3,471	3,404	3,304	3,260	3,110
Health Debt	180	100	116	195	225
Total	3,651	3,504	3,420	3,455	3,335
Total Obligations	20,076	19,550	19,099	18,009	17,738
Fiscal Stabilization Fund					
End-of-Year Balance	409	395	79	236	247

Note 1: Own-Source Revenue and Program Expenditure have been restated by equal amounts to reflect reconfiguration of Provincial-Municipal Tax Sharing.

Note 2: Includes \$150 million Manitoba Hydro Special Payment profits on export sales 2001/02, and \$51.1 million adjustment for federal accounting error.

Note 3: Net gain from divestiture of Manitoba Telephone System - \$264.6 million.

2000/01 Actual	1999/00 Actual	1998/99 Actual	1997/98 Actual	1996/97 Actual
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(Millions of Dollars)

4,739	4,334	4,393	3,920	4,107 ³
2,091	2,073	1,560	1,884	1,716
6,830	6,408	5,953	5,804	5,823

6,181	6,042	5,443	5,232	4,929
511	465	515	520	539
6,693	6,506	5,957	5,752	5,468
137	(99)	(5)	51	355

(96)	(75)	(150)	(75)	0
0	185	186	100	(264)

41	11	31	76	91
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6,537	6,473	6,632	6,773	6,808
6,053	5,798	5,677	5,569	4,893
1,086	943	948	976	1,212
220	0	0	0	0

0	0	0	0	0
260	245	142	0	0
14,156	13,459	13,398	13,318	12,913

3,050	2,906	2,766	2,572	2,182
(21)	0	0	0	0
3,029	2,906	2,766	2,572	2,182
359	501	450	461	438
3,387	3,407	3,216	3,033	2,620
17,543	16,866	16,614	16,351	15,533

320	264	427	565	578
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FINANCIAL STATEMENTS**Revenue**Own-Source Revenue¹

Federal Transfers

Total

ExpenditureProgram Expenditure¹Public Debt Costs⁴

Total

Net Revenue/(Expenditure)**Emergency/Extraordinary Items****Debt/Pension Repayment****Transfers from/(to) Fiscal
Stabilization Fund****Balance under Balanced
Budget Legislation****Net Direct and
Guaranteed Debt**General Purpose⁶

Manitoba Hydro

Other

Health Facilities

Government Enterprises
and Other⁶

Capital Investments

Total

Other Obligations

Pension Liability

Pension Assets

Net Pension Liability

Health Debt

Total

Total Obligations**Fiscal Stabilization Fund
End-of-Year Balance**

Note 4: Effective from fiscal year 2002/03 interest carrying-costs of capital assets (then worth \$20 million) are included in departmental expenditures, and from fiscal year 2004/05 interest carrying-costs of infrastructure assets (additional \$60 million) are included in departmental expenditures.

Note 5: Under BBL, disaster-related expenditures may be written directly to accumulated deficit. In 2003/04, the effect of the BSE crisis, drought and forest fires required extraordinary emergency expenditures to which this provision applies.

Note 6: See note and table on page B37.

Manitoba Financial Statistics, Ten-Year Summary

	2005/06 Budget	2004/05 Forecast	2003/04 Actual	2002/03 Actual	2001/02 Actual
Annual Change			(Percentage Change)		
Own-Source Revenue	1.8	8.5	0.0	5.4	(2.4)
Federal Transfers	(4.2)	16.0	12.8	1.0	5.5
Total Revenue	(0.3)	11.0	4.0	4.0	(0.0)
Program Expenditure	3.2	4.7	7.6	4.7	3.7
Public Debt Costs	13.5	(23.8)	(3.1)	(22.5)	(19.0)
Total Expenditure	3.5	3.6	7.1	3.0	1.9
Net General Purpose Debt	(0.0)	0.7	3.0	(0.8)	(2.0)
Total Net Debt	2.2	2.5	7.7	1.0	1.7
Net Pension Liability	2.6	2.4	1.3	4.8	2.7
Per cent of GDP			(Per cent)		
Own-Source Revenue	12.9	13.2	12.8	13.2	13.2
Total Revenue	19.6	20.4	19.4	19.3	19.4
Program Expenditure	18.7	18.8	18.9	18.2	18.2
Public Debt Costs	0.6	0.6	0.8	0.9	1.2
Total Expenditure	19.3	19.4	19.8	19.1	19.4
Balance under Balanced Budget Legislation	0.0	0.8	0.0	0.0	0.2
Net General Purpose Debt	15.8	16.4	17.2	17.2	18.2
Per cent of Revenue					
Own-Source Revenue	65.8	64.4	66.0	68.6	67.7
Federal Transfers	34.2	35.6	34.0	31.4	32.3
Public Debt Costs	3.3	2.9	4.2	4.5	6.1
Net General Purpose Debt	80.6	80.4	88.6	89.5	93.8
Per cent of Expenditure					
Program Expenditure	96.7	97.0	95.9	95.4	93.9
Public Debt Costs	3.3	3.0	4.1	4.6	6.1
Balance under Balanced Budget Legislation	0.0	4.0	0.2	0.1	0.9
Dollars Per Capita			(Dollars)		
Total Expenditure	6,863	6,659	6,473	6,078	5,925
Public Debt Costs	229	203	268	278	360
Balance under Balanced Budget Legislation	3	268	11	3	55
Net General Purpose Debt	5,609	5,636	5,633	5,497	5,566
Memorandum Items					
Population ('000's)	1,175	1,170	1,162	1,156	1,151
GDP at Market Prices	41,750	40,181	38,074	36,859	35,149

Source: Manitoba Department of Finance

2000/01 Actual	1999/00 Actual	1998/99 Actual	1997/98 Actual	1996/97 Actual
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(Percentage Change)

9.3	(1.3)	12.1	(4.6)	7.0
0.9	32.9	(17.2)	9.8	(8.4)
6.6	7.6	2.6	(0.3)	1.9
2.3	11.0	4.0	6.1	(0.7)
9.9	(9.7)	(1.0)	(3.5)	(9.0)
2.9	9.2	3.6	5.2	(1.6)
1.0	(2.4)	(2.1)	(0.5)	(0.1)
5.2	0.5	0.6	3.1	(5.6)
4.2	5.1	7.5	17.9	7.0

(Per cent)

13.9	13.6	14.2	13.2	14.5
20.1	20.1	19.2	19.5	20.5
18.2	18.9	17.6	17.6	17.4
1.5	1.5	1.7	1.7	1.9
19.7	20.4	19.2	19.4	19.2
0.1	0.0	0.1	0.3	0.3
19.2	20.3	21.4	22.8	24.0

69.4	67.6	73.8	67.5	70.5
30.6	32.4	26.2	32.5	29.5
7.5	7.3	8.7	9.0	9.3
95.7	101.0	111.4	116.7	116.9

92.4	92.9	91.4	91.0	90.1
7.6	7.1	8.6	9.0	9.9
0.6	0.2	0.5	1.3	1.7

(Dollars)

5,835	5,692	5,235	5,063	4,822
446	407	453	458	475
36	10	27	67	80
5,699	5,663	5,828	5,962	6,004

1,147	1,143	1,138	1,136	1,134
34,042	31,940	30,946	29,725	28,408

Annual Change

Own-Source Revenue
Federal Transfers
Total Revenue
Program Expenditure
Public Debt Costs
Total Expenditure
Net General Purpose Debt
Total Net Debt
Net Pension Liability

Per cent of GDP

Own-Source Revenue
Total Revenue
Program Expenditure
Public Debt Costs
Total Expenditure
Balance under Balanced
Budget Legislation
Net General Purpose Debt

Per cent of Revenue

Own-Source Revenue
Federal Transfers
Public Debt Costs
Net General Purpose Debt

Per cent of Expenditure

Program Expenditure
Public Debt Costs
Balance under Balanced
Budget Legislation

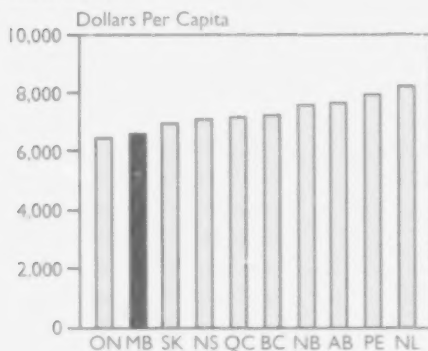
Dollars Per Capita

Total Expenditure
Public Debt Costs
Balance under Balanced
Budget Legislation
Net General Purpose Debt

Memorandum Items

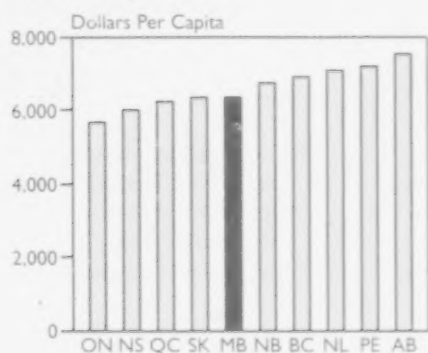
Population (000's)
GDP at Market Prices

Total Expenditure by Province, 2004/05



Sources: Statistics Canada and provincial mid-year financial statements

Program Expenditure by Province, 2004/05



Sources: Statistics Canada and provincial mid-year financial statements

Manitoba's Relative Position Among Provinces

Manitoba continues to maintain its reputation for fiscal responsibility. The province's measured approach to balancing the budget (under both BBL and the summary financial statement), managing its debt and pension liabilities, and dealing with cost pressures in health and other key program areas has been acknowledged by the financial industry and credit rating agencies. Since 1999, Manitoba has received upgrades in its credit ratings from Moody's Investors Service and DBRS.

Manitoba has one of the most efficient and cost effective governments in Canada. As the adjoining charts indicate, per capita total expenditure was second-lowest and per capita program expenditure was fifth-lowest among provinces in 2004/05.

Since 1999, Manitoba has made a conscious effort to reduce its debt. In 1999/2000, the debt payment made by the province was \$75 million. This year, the province will once again increase its annual payments from \$96 million to \$110 million.

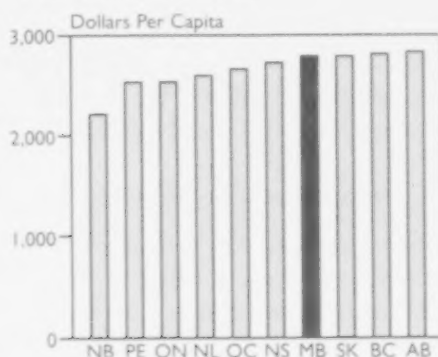
Comparing debt levels among provinces is difficult because provinces report debt differently. An independent measure of provincial tax-supported debt is provided by DBRS. DBRS attempts to measure debt on a standardized basis, with debt defined broadly as tax-supported debt plus unfunded pension liabilities, less sinking funds

and internal holdings. For 2004/05, DBRS measured Manitoba's debt to GDP ratio at 33.9%, fifth among provinces and down from 38.7% in 1999/2000. Manitoba has one of the lowest debt servicing costs among provinces.

Despite fiscal pressures, Manitoba is committed to providing necessary funding to priority expenditure areas. The strength in Manitoba's fiscal performance provides needed fiscal room for the province to be better able to maintain its commitments to major health and social programs than would otherwise be the case. In fact, in 2004/05, Manitoba's per capita health expenditures were 5.2% above the provincial average and fourth-highest among provinces.

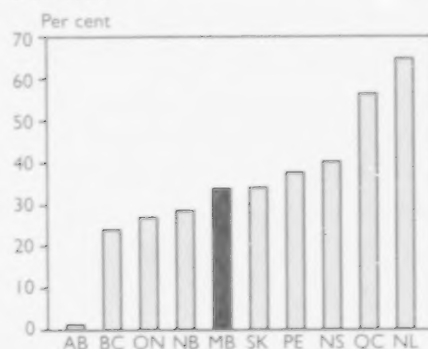
NOTE: Interprovincial comparisons of expenditure are based on provincial mid-year financial statements. Since not all provincial governments will have tabled their budgets prior to publication, the pre-budget estimates were used for all provinces to ensure comparability.

Health Expenditure by Province, 2004/05



Sources: Statistics Canada and provincial mid-year financial statements

Debt to GDP Ratio by Province 2004/05



Sources: Dominion Bond Rating Service and Statistics Canada

■ Improving Transparency and Accountability

The government continues to adhere to and respect the provincial legislature and the legislation it has passed, while making strides to improve transparency concerning its operations. With respect to the latter, the summary financial statements have kept pace with GAAP as outlined by the Public Sector Accounting Standards Board (PSAB) of the Canadian Institute of Chartered Accountants.

■ Improved Reporting

The government has been assisted by the recommendations of the Auditor General. His recommendation to combine the summary financial statements into one volume so that their interrelationships would be more transparent was adopted in the current Administration's first set of Public Accounts for 1999/2000. Following on the Auditor General's further recommendations, the government began issuing comprehensive annual reports in 2000/01, and fulfilled the commitment to provide more comprehensive reporting on the government's fiscal results. These reports include not only financial statements, but also discussion and analysis. Further, they include financial and economic indicators for the government's central operations, as well as for the entire government reporting entity.

Over the past several years, improvements in financial reporting include:

- the recognition of unfunded liability for future benefits for employees of non-devolved health care facilities
- the introduction of commentary on environmental issues, improved notes and schedules
- revised treatment of capital funding to schools and hospitals
- quantification of GAAP exceptions
- revised treatment of the Liquor Control Commission's net profits (now determined in accordance with GAAP for the first time)
- improved disclosure in a large number of technical areas, bringing government's accounting practices closer to full compliance with GAAP for public sector

These improved reporting practices results in significant impacts on reported government results.

The following chart shows the effect of the changes on debt if restated retroactively to the affected years.

Impact of Accounting Policy Changes on General Purpose Government Enterprises and Other Debt

	2005/ 2006b	2004/ 2005f	2003/ 2004a	2002/ 2003a	2001/ 2002a	2000/ 2001a	1999/ 2000a
(Millions of Dollars)							
General Purpose (page B30)	6,591	6,594	6,546	6,355	6,406	6,537	6,473
School Facilities	-	-	-	181	162	154	146
Health Facilities	-	-	-	45	44	47	47
Restated General Purpose	6,591	6,594	6,546	6,580	6,612	6,739	6,666
Restated General Purpose Debt/GDP	15.8%	16.4%	17.2%	17.9%	18.8%	19.8%	20.9%
Government Enterprises and Other (page B30)	468	498	478	-	-	-	-
School Facilities	-	-	-	253	247	234	222
Hospital Facilities	-	-	-	25	26	28	29
Federal Government	-	-	-	91	91	287	133
MLCC	-	-	-	44	42	39	37
Restated Government Enterprises and Other	468	498	478	414	406	587	421

b - Budget f - Forecast a - Actual

On a restated basis, General Purpose Debt has declined by \$75 million since 1999/2000.

Debt in relation to Government Enterprises and Other has increased by \$46 million.

Capital Acquisitions and Infrastructure Capitalization

The government introduced budgetary measures for considering the full cost of capital assets in program costs, and is now in full compliance with the capital asset accounting practices prescribed by the PSAB. The budget for the acquisition cost of general assets has been reflected in Part B of the Estimates since 1999/2000, and the related annual amortization costs have been voted as part of departmental appropriations. In 2002/03, the interest cost relating to small capital acquisitions was also included in department program costs. In 2004/05, Manitoba introduced a capitalization policy for its infrastructure assets. This has resulted in the full cost of capital acquisitions being included in overall departmental program costs, providing for greater departmental accountability for capital expenditures. By way of explanation, general tangible capital assets are consumed by government in providing government services, and use is usually restricted to government purposes, for example, buildings and computer equipment. Infrastructure assets are assets which are consumed by the general public and whose access is generally not restricted such as roads and parks.

Pension Accounting

Departments began funding the cost of matching pension contributions for employees hired on or after October 1, 2002 from their appropriations. This funding is being directed to the PAF, in addition to other contributions being made through the DRE. The cost of the pension benefits thus begins to be reflected in the various programs across government. It also accelerates the government's plan to address the outstanding pension liability.

Manitoba 

Budget Paper C

**FISCAL
ARRANGEMENTS:
A
NEW COURSE**

FISCAL ARRANGEMENTS: SETTING A NEW COURSE

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■ Introduction

2004 was a watershed year in respect of fiscal arrangements between the federal and provincial governments, with two major First Ministers' meetings that have set health care funding and fiscal arrangements on a new course. The future of the Equalization Program, the federal role in supporting post-secondary education (PSE) and other social programs, and the issue of fiscal imbalance in Canada will come under intense scrutiny over the course of the next year. The federal government plans to establish a panel to examine the Equalization Program and make recommendations for change. As well, a subcommittee of the House of Commons Finance Committee has been set up to propose "tangible solutions" to Canada's fiscal imbalance.

In setting a new fiscal course for the federation, Manitoba believes that governments must be guided by clear principles and objectives. The principles in which the Equalization Program are grounded and to which the federal government is committed are built into Section 36(2) of the *Constitution Act, 1982*.

Parliament and the government of Canada are committed to the principle of making equalization payments to ensure that provincial governments have sufficient revenues to provide reasonably comparable levels of public service at reasonably comparable levels of taxation.

While the federal government has re-established its key funding role in health care, it has yet to address its role in respect of supporting PSE and social services. In this regard, Manitoba is looking for the federal government to restore its funding partnership with the provinces and territories in support of PSE and social services as it has for health care.

PRINCIPLES TO GUIDE FISCAL ARRANGEMENTS

Adequacy and sustainability: Ensuring that financial resources match the cost of providing public services, given the revenues that are available to governments over the long term.

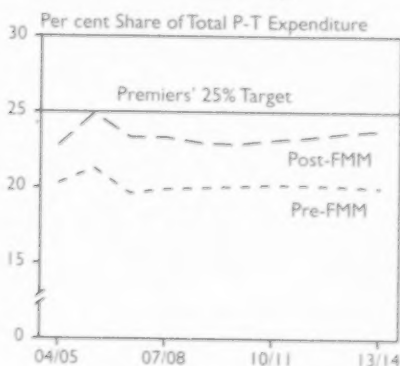
Equity: Ensuring, on behalf of all Canadians, that provinces are able to maintain comparable levels of public services at comparable levels of taxation.

Efficiency: Ensuring that the fiscal environment in Canada is such that business decisions, especially with respect to location, are made on the basis of economic factors, rather than on differences in "net fiscal benefits" (the difference between taxes paid and benefits received in a given province as compared to that offered by other provinces with differing fiscal capacities).

Transparency and accountability: Ensuring clear information on funding and expenditure is provided by each order of government in respect of the public services provided and the benefits derived. This also means that governments take responsibility for their decisions for financing and/or service delivery.

The September 2004 FMM concluded with a unanimous, signed agreement that provides for a significant increase in the federal contribution to health care over the next decade.

Chart 1
Federal Contribution to Health Care Funding



Sources: Finance Canada, Manitoba Finance and Conference Board of Canada

■ First Ministers' Meeting on Health Care Funding

First Ministers met in Ottawa and held a series of public and private meetings between September 13th and 16th, 2004 to hammer out a long-term deal on federal funding for health care. These negotiations successfully concluded with the unanimous signing of a 10-year agreement on health care funding. The agreement provides for a substantial increase in funding to the Canada Health Transfer (CHT) base, a commitment to increase base funding by 6% per year and a long-term funding initiative to help provinces and territories address wait times. In addition, the agreement includes a commitment from the federal government to work with provinces and territories on a national Pharmacare strategy.

The agreement represents an effective negotiation between governments, with substantial give-and-take on both sides. It substantially achieves the premiers' goal of seeing the federal share of funding for health care restored to 25%. As Chart 1 illustrates, the agreement is expected to boost the federal share of health care funding from its pre-September 2004 First Ministers' Meeting (FMM) level of 20% into the 23–24% range over the long term. Total federal funding for health care will rise from \$18.9 billion in 2004/05 to \$30.5 billion in 2013/14.

The agreement also significantly addresses the premiers' concern that all of the increase in federal funding in the 2003 Health Funding Arrangement was either "one-time" or conditional and not built into the base. Premiers have long maintained that in order to do the planning and make the investments needed to sustain health care, federal funding must be sufficient, secure and ongoing. Under the revised deal, the Health Reform Fund Transfer will be rolled into the CHT

base in 2005/06. The only part of the health care Agreement that is not built into the base is that dedicated to reducing wait times. This funding is to be used by provinces and territories to advance their wait time reduction strategies (ex: training and hiring more health professionals, clearing backlogs, building capacity for regional centres of excellence, expanding appropriate ambulatory and community care programs and/or tools to manage wait times).

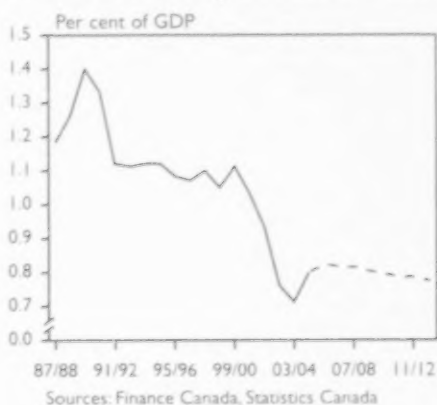
■ First Ministers' Meeting on Fiscal Arrangements

A second meeting of First Ministers was convened on October 26, 2004 to deal with provincial and territorial concerns about funding for the Equalization Program and Territorial Formula Financing – matters that were not resolved at their September meeting. At the meeting, the federal government confirmed its long-term funding plan for the Equalization Program. The plan involves a two-year transitional funding and allocation scheme, which supersedes the existing fiscal arrangements. Funding for 2004/05 was set at \$10 billion plus protection for individual provinces against declines in payments. Total funding for 2005/06 was set at \$10.9 billion and is to increase by 3.5% per year thereafter.

While the federal government has set total entitlements above what the current Equalization Program would have provided in the short run, they are below earlier federal projections and what the program would be providing if the federal government had not decided to move away from a 10-province standard for measuring fiscal disparities and had not reduced revenue coverage¹.

It is estimated that a 10-province standard would restore funding as a percentage of GDP to 1.1%, more in line with historical levels of support. Under the current plan, federal support is projected to continue to decline as a percentage of GDP

Chart 2
New Federal Equalization Plan



Under current legislation Equalization payments will grow by less than GDP over the next decade.

**At the October 26, 2004
First Ministers' Meeting,
the Prime Minister
provided assurances to
premiers that no province
will face significant
reductions in Equalization
entitlements because of a
change in the allocation
of the program.**

into the future (see Chart 2). Thus, despite the changes to funding that have been implemented by the federal government, the overall adequacy of the program continues to be an issue for recipient provinces.

While the new federal Equalization plan creates certainty for the federal government in terms of its own financial obligations, it does not address the uncertainty faced by Equalization-recipient provinces. The allocation for 2006/07 and beyond will be decided by the federal government based on the advice of an expert panel. However, Manitoba is pleased that at the October 26, 2004 FMM, the Prime Minister provided assurances to premiers that no province will face significant reductions in Equalization entitlements because of a change in the allocation of the program.

■ Equalization under the Microscope

The September 2004 FMM health care funding agreement has set the health care system on a more sustainable path. The federal Equalization plan, however, left important issues unresolved. Given the importance of the program, provinces will be closely monitoring the work of the panel and the federal response to its recommendations. Following the October 2004 FMM, opposition parties in the House of Commons passed a motion setting up a special subcommittee of the Finance Committee to look at fiscal imbalance.

The fate of the Equalization Program looms large as the subject of the deliberations of the federal and premiers' panels and the subcommittee. How funding will be allocated in the future is a key component of the mandate for the federal panel responsible for reviewing the Equalization Program. At the core of the upcoming debate on Equalization is the question of how to most accurately measure fiscal disparity – the difference between provincial

governments' ability to raise revenue to support a national standard of public services.

The Representative Tax System (RTS) approach has evolved over time and reflects decades of detailed and comprehensive research and examination by senior federal and provincial officials. The RTS approach compares the taxation practices of provinces to determine whether a province lacks the tax resources to provide a level of service to its citizens that is comparable to that enjoyed by other Canadians. This approach reflects the choices provinces have made about how to raise revenue given the competitive constraints on taxation that exist in an open economic federation. It is a comprehensive approach that provides a robust and formula-driven framework to assess fiscal disparities among provinces.

Manitoba believes that the RTS system can be improved upon to address virtually all of the major concerns that provinces have voiced in respect of Equalization over the past decade. Indeed, premiers have made recommendations over the past several years that, if implemented, would have strengthened the Equalization Program and addressed its perceived shortcomings. Specifically, they have called on the federal government to consider approaches that include a 10-province standard with comprehensive revenue coverage that recognizes the volatility of resource revenue.

Manitoba does not believe there is a short-cut to measuring fiscal disparity that will not short change at least some provinces. The macro approach that the federal panel is to consider as an alternative to the RTS tries to measure fiscal disparities among provinces using a single macroeconomic measure (like GDP or personal income). The preliminary results of the macro approach suggest that it does not track very well the results of the more-detailed RTS approach and allocations among provinces vary considerably, depending on the macroeconomic measure used. It is thought that

EQUALIZATION AND FISCAL IMBALANCE

Equalization will be a primary, if not exclusive, focus of two major reviews this year – one by the federal government and one by a special subcommittee of the House of Commons' Finance Committee.

Federal Expert Panel: A federally appointed six-person panel of experts will evaluate the current Equalization Program, examine alternative approaches, consider the merits of establishing a permanent independent advisory body and make a recommendation to the federal government by the end of 2005 on the allocation of Equalization payments for 2006/07.

House of Commons Finance

Committee – Special Study on the

Fiscal Imbalance: Dissatisfaction among Opposition parties in the House of Commons with the results of the October 2004 FMM resulted in the passage of a motion to strike a special committee to propose tangible solutions for addressing the fiscal imbalance. It will table its report to the Standing Committee on Finance for adoption, with the final report being tabled in the House of Commons by June 2, 2005.

EQUALIZATION: WHO REALLY PAYS?

The federal Equalization Program is often misrepresented as being funded by the "have" provinces. In fact, it is a program that the federal government funds out of its general revenue.

Individual Canadians and businesses in every province and territory pay the same federal taxes at the same rates. People in Toronto pay the same federal personal income taxes as do those in St. John's. People in Québec City have to pay GST just the same as those in Red Deer. A business in Steinbach pays the same federal corporation tax as one operating in Vancouver.

Equalization payments are provided to provinces and territories to ensure that all of these individuals and businesses who pay an equally fair share of their earnings to the government of Canada receive, as Canadian citizens and businesses, a reasonably comparable level of service at a reasonably comparable level of taxation. The principle of Equalization, which is enshrined in Canada's constitution, can be understood as a national commitment to fair treatment for all Canadians, regardless of where they live in this country.

one of the main reasons for these divergent results is that these macro variables measure current economic activity and not the actual financial base upon which individuals and businesses make spending decisions. The broader financial base would take into account such things as savings and borrowings over time.

■ Fiscal Transfer Issues beyond Health Care

With First Ministers having negotiated an agreement on health care funding and various processes in place for dealing with the outstanding issues surrounding Equalization, the deck is being cleared to deal with a range of issues that have been largely crowded off the federal-provincial fiscal arrangements agenda.

From Manitoba's perspective, the federal role in funding PSE is the next big issue. Funding for social services is also an issue that needs attention. The federal funding initiative for early learning and child care (ELCC) in the 2005 federal budget is expected to make a positive contribution for children and families in Manitoba.

Provinces and territories are faced with the reality of a weakened funding partnership with the federal government as they attempt to provide adequate funding for PSE and social services. In splitting the Canada Health and Social Transfer (CHST) onto the Canada Health Transfer (CHT) and the Canada Social Transfer (CST), the federal government boosted its support for health care at the expense of its commitment to social services and PSE². In fact, federal funding for these programs in 2004/05 is \$2.7 billion less than it was a decade ago (see Chart 3). The \$7.9 billion provinces and territories will receive in 2004/05 is the same amount they received in 1988/89. Beyond the fact that the real value of the transfer has been eroded by inflation, the transfer places additional responsibilities on provinces and territories to deliver services in respect of both the

early childhood development (ECD) and ELCC initiatives.

In order to improve accountability and transparency with respect to the many and varied uses that the CST is believed to support, Manitoba calls upon the federal government to consider splitting the transfer to more clearly reflect the main social program areas (see Appendix: Splitting the CST).

Post-Secondary Education

Knowledge has become the most valuable resource of the information age and an increasingly important determinant of wealth both for individuals and countries. Chart 4 shows that there is a strong correlation between earnings and academic achievement. Compared to individuals without a high school education, high school graduates earn 32% more, college and trades program graduates 90% more, and university graduates 165% more (see Chart 4).

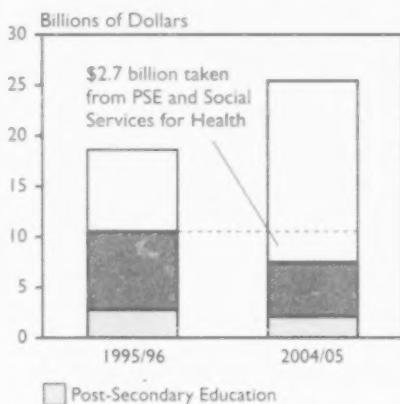
The decline in federal PSE transfers has weakened the capacity of provinces and territories to make all of the improvements in infrastructure for universities and colleges across Canada necessary to provide our country with the knowledge and skills to compete in the global marketplace.

Federal cash transfers for PSE have declined since the introduction of the CHST in 1996/97 and have fallen to an all-time low with the cut to non-health funding under the CST in 2004/05. As a share of provincial-territorial spending on PSE, it is estimated that the federal contribution is only about half of what it was 10 years ago – having declined from about 15% in 1995/96 to just over 7% in 2004/05 (see Chart 5).

Based on Manitoba Finance estimates, the federal government is currently contributing only about \$1.8 billion to provincial-territorial PSE programs – a cut in funding of 31% from what it was in 1995/96.

Chart 3

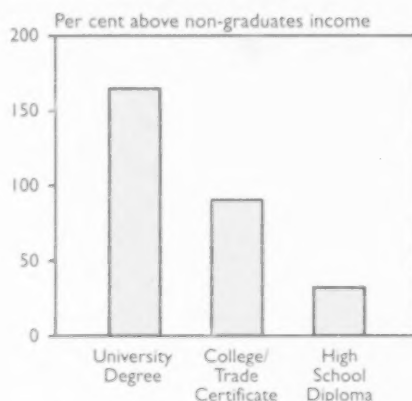
Canada Health and Social Transfer Split



Sources: Finance Canada, Manitoba Finance

Chart 4

Gains in Annual Income from Education, 2000



Source: Statistics Canada

Chart 5
Federal Funding of
Post-Secondary Education

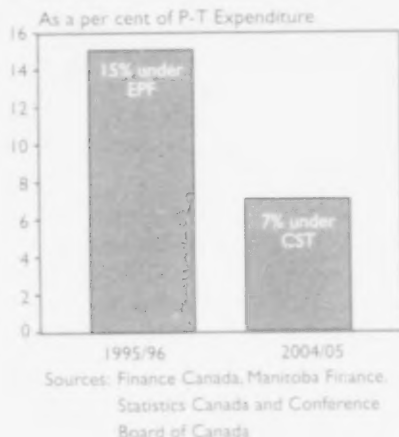
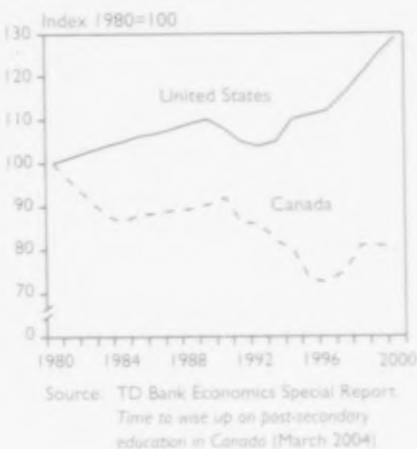


Chart 6
Government Spending
per Student on PSE in
Constant Dollars



Taking into account the back-filling that had to be done to offset the cut in the federal contribution, it is estimated that between 1995/96 and 2004/05, own-source funding of PSE by provinces and territories has increased by about \$8.6 billion, or 48%.

Manitoba acknowledges that the federal government's involvement in PSE has expanded in other ways, as it has increased its own spending on such things as the Millennium Scholarship Funds, enhanced education tax credits, and the broadened Registered Education Savings Plan (RESP) program, all of which provide direct financial support to students (and supporting individuals). It has also increased financial support for educational institutions through research grants.

Manitoba is concerned, however, that this approach has not proven effective for several reasons. The first is that, in the past, the federal government has proceeded without adequate provincial consultation, thus creating inefficiencies in program delivery. The second is that these programs have fueled demand for services at the same time as the financial resources needed to meet this increased demand have been reduced. The third is that the federal government's Innovation Strategy is not broadening research capacity across the country, but rather perpetuating current imbalances. Indeed, Manitoba's universities are only receiving about two-thirds of what a fair per capita allocation would provide.

Increasing the number of university and college graduates is critical to meeting the skill needs of the private sector and key public sectors like health care. Having a highly trained and knowledgeable workforce will help Canada compete in the global economy and provide the basis for improved living standards. Canada has fallen behind the U.S. in particular in terms of investing in PSE. As Chart 6 indicates, since 1980, real investment in higher education in the U.S. has risen by about 30%, while in Canada it has fallen by 20%.

Social Services

In many respects, the situation in regard to funding other social services parallels that of PSE.

Under the terms of the Canada Assistance Plan (CAP) the federal government paid half of the costs of all eligible social service costs incurred by provincial governments. This 50:50 funding principle was maintained, with the exception of a cap on the growth in payments to non-Equalization-recipient provinces, until the CAP was collapsed, along with Established Program Financing (EPF) into the CHST in 1996/97.

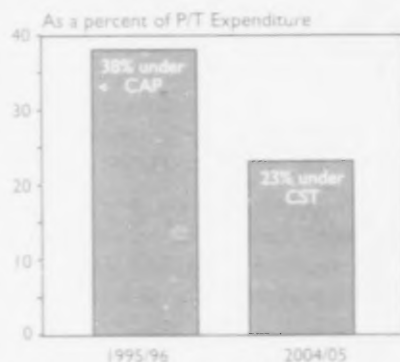
In the final year of CAP, 1995/96, the federal government's share of provincial-territorial social services funding was 38%. Under the CHST, federal support for health and other social programs was cut by one-third over three years. With the splitting of the CHST in 2004/05, it is estimated that the federal share of social services funding has fallen to an all-time low of 23% (see Chart 7).

Based on Manitoba Finance estimates, the federal government is currently contributing about \$5.4 billion to the cost of providing social services across provinces and territories. This represents a cut in funding of 31% from its 1995/96 level. Taking into account the back-filling that has been needed to offset the cut in the federal contribution, it is estimated that between 1995/96 and 2004/05, own-source funding by provinces and territories for social services increased by \$4.9 billion, or 38%.

Early Learning and Child Care

Considerable social and economic benefits are derived when governments invest in ELCC. The early years of a child's life are critical in the development and future well-being of the child. Investments made during this critical period can have long-term benefits that can extend throughout children's lives. Moreover, from an economic

Chart 7
Federal Funding of Social Services



Sources: Finance Canada, Manitoba Finance,
Statistics Canada and Conference
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Chart 5
Federal Funding of
Post-Secondary Education

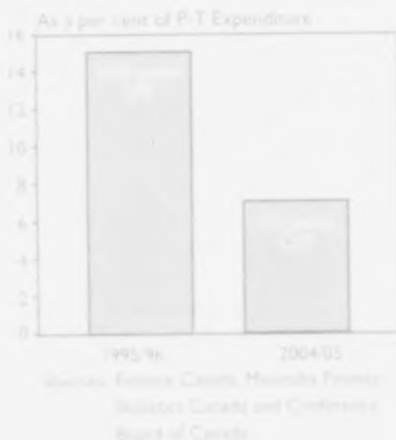
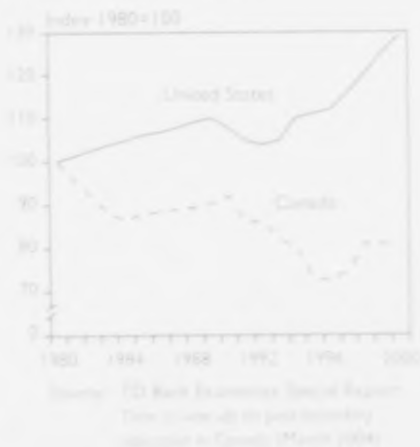


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Manitoba acknowledges that the federal government's involvement in PSE has expanded in other ways, as it has increased its own spending on such things as the Millennium Scholarship Fund, enhanced education tax credits, and the Immigrant Registered Education Savings Plan (IRESE) program, all of which provide direct financial support to students (and supporting individuals). It has also increased financial support for educational institutions through research grants.

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Increasing the number of university and college graduates is critical to meeting the skill needs of the private sector and key public sectors like health care. Having a highly-skilled and knowledgeable workforce will help Canada compete in the global economy and provide the basis for improved living standards. Canada has fallen behind the U.S. in particular in terms of investing in PSE. As Chart 6 indicates, since 1980, real investment in higher education in the U.S. has risen by about 30%, while in Canada it has fallen by 20%.

Social Services

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Under the terms of the Canada Assistance Plan (CAP), the federal government paid half of the costs of all eligible social service costs incurred by provincial governments. This 50:50 funding principle was maintained, with the exception of a cap on the growth in payments to non-Equity/room recipient provinces, until the CAP was collapsed, along with Established Program Financing (EPF), into the CHST in 1995/96.

In the first year of CAP, 1995/96, the federal government's share of provincial-territorial social services funding was 38%. Under the CHST, federal support for health and other social programs was cut by one-third over three years. With the spinning of the CHST in 2003/05, it is estimated that the federal share of social services funding has fallen to an all-time low of 2.9% (see Chart 7).

Based on Manitoba Finance estimates, the federal government is currently contributing about \$5.4 billion to the cost of providing social services across provinces and territories. This represents a cut in funding of 31% from its 1995/96 level. Taking into account the back-filling that has been needed to offset the cut in the federal contribution, it is estimated that between 1995/96 and 2003/05, own-source funding by provinces and territories for social services increased by \$4.9 billion, or 38%.

Chart 7
Federal Funding of
Social Services



Sources: Finance Canada; Manitoba Finance;
Statistics Canada and Confederation
Board of Canada

Early Learning and Child Care

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CHILD CARE FUNDING NEGOTIATIONS

Ministers responsible for Social Services are currently engaged in negotiations in respect of the new \$5 billion federal investment in ELCC. Manitoba supports the development of this agreement to help advance the implementation of a quality, affordable and accessible ELCC system in the province. It supports flexibility in the new agreement to ensure benefits for children and families are maximized. Manitoba recognizes that there exists a strong unmet demand for child-care services from both an early childhood developmental and a parental labour market participation perspective.

Manitoba does not agree that funding for a First Nations Initiative, or the accountability initiative announced in the 2005 federal budget, should be carved out of this \$5 billion commitment. The province maintains that funds promised for provincial and territorial programs should not be used by the federal government to meet its fiduciary responsibilities for First Nations. Those responsibilities must be met with additional funding. Moreover, the federal government must recognize the challenges faced by jurisdictions with large Aboriginal populations living off reserve, and ensure that they receive the necessary funding in respect of these initiatives.

perspective, it is clear that by increasing the availability of affordable licensed regulated child care spaces, there will be greater opportunities for labour force participation among parents.

Federal cash transfers to the provinces and territories with respect to children began with the September 2000 FMM at which the federal government announced a five-year, \$2.2 billion funding program in respect of ECD beginning in 2001/02. The program was subsequently extended by two years with an additional \$1 billion in funding.

In March 2003, following the federal budget, Ministers responsible for Social Services reached agreement on a Multilateral Framework for ELCC, under which the federal government is providing provinces and territories with \$1.1 billion over five years (2003/04 to 2007/08).

ECD and ELCC which are funded as part of the CST are making up an increasingly large share of the diminished federal contribution for major social programs outside of health care. In 2004/05, they accounted for 4.4% of the CST, a share that is projected to rise to 9.7% by 2007/08.

In its October 5, 2004 Speech from the Throne, the federal government committed to working with provinces and territories to develop a national system of ELCC, built on the existing F-P-T Multilateral Framework for ELCC. The 2005 federal budget provides provinces and territories with an additional \$4.8 billion in funding over five years beginning in 2005/06. The federal 2005 budget indicated that funding for this program would continue indefinitely beyond 2009/10. Prime Minister Martin indicated that this funding would support 250,000 additional child-care spaces across the country over the next five years.

■ The Fiscal Imbalance

The federal government has posted budgetary surpluses in each of the last seven years. In its February 2005 budget the federal government forecasts its budgetary surplus to continue and grow over the medium term. As Chart 8 illustrates, the federal government has repeatedly underestimated its surpluses, raising concerns that its forecasts may not represent the most likely course of events but one that is overly cautious. Indeed, in its 2004 budget, the federal government projected a narrow \$1.9 billion surplus in respect of 2004/05. This amount was raised to \$9.1 billion in the October 2004 Economic Statement. According to the information provided in its 2005 budget, the underlying federal surplus for 2004/05 is actually closer to \$13.9 billion.

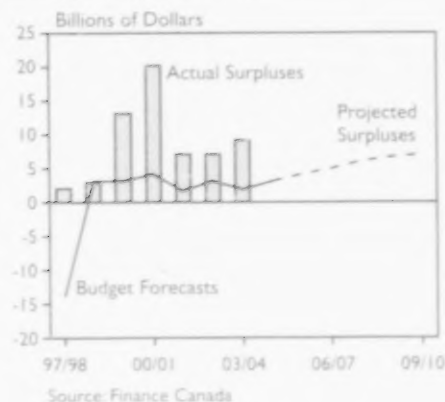
In its 2005 budget the federal government is forecasting a cumulative surplus for the 2004/05 to 2009/10 period of \$31.5 billion. This amount is in addition to all of the amounts in respect of health care and Equalization committed by the federal government at the September and October 2004 FMMs as well as the new commitments made in the 2005 budget.

From this chart, at least one other inference is clear: the federal government continues to generate revenue, well in excess of its current needs. This suggests quite strongly that the federal government has the financial scope to meet its obligations to adequately fund Equalization and to restore its funding partnership with provinces and territories in respect of PSE and other social programs.

It is clear that a significant portion of the current narrowing of the gap between the resources and responsibilities of the two orders of government is temporary and may be expected to widen over the medium term. Manitoba is looking for a comprehensive and durable solution to fiscal imbalance.

Chart 8

Federal Government Budgetary Balances



The federal government has forecast a cumulative budgetary surplus of \$31.5 billion over the 2004/05 to 2009/10 period.

■ Conclusion

In addressing the fiscal imbalance it is clear that improvements to Equalization are necessary. Manitoba believes that fiscal disparities among provinces are best addressed in reference to the constitutional principles and objectives of the Equalization Program.

Provincial and territorial governments are facing significant financing challenges in regard to PSE and other social services. Expanding the knowledge base of our economy is a prerequisite for Canada's global competitiveness. Manitoba is convinced that restoring the financial partnership between the federal and provincial-territorial governments is critical to our success in improving productivity, innovation and our standard of living.

■ Appendix: Splitting the CST

Prior to the introduction of the CHST, federal funding in respect of PSE was provided as a separate cash transfer under EPE. Likewise, federal support for social services was provided separately under the CAP. The federal government did not seek the agreement of the provinces and territories when it combined funding for health PSE and social services into a single block fund under the CHST.

With the split in the CHST into separate transfers for health (CHT) and other social programs (CST) the federal government missed an opportunity to disentangle funding for two very different program areas with very different requirements. The continuation of a transfer that combines amounts for PSE and social services perpetuates the confusion that exists around the federal government's commitment to these valuable programs.

Manitoba would recommend that the CST be split into separate transfers in respect of PSE and social services as a more effective and transparent way of targeting federal funding. As well, a new block transfer program should be established that is dedicated to children's programs. Funding for this new transfer would be comprised of the existing ECD and ELCC funding in the CST as well as the new child care money currently under negotiation.

End Notes

- 1 In 1983, the federal government changed the methodology for calculating entitlements under the Equalization Program. Whereas before the change, the revenue from all 10 provinces was used to estimate disparities and entitlements, it removed Alberta and the Atlantic Provinces from the calculation. The national average or 10-Province standard was thus replaced by the five-Province Standard which consisted of Quebec, Ontario, Manitoba, Saskatchewan and British Columbia. In 1997, the federal government decided to exclude one-half of user fees from the calculations. Had these measures not been taken, provinces would have received \$4 billion more in 2004/05 than under the October 2004 federal deal.
- 2 The decision of the federal government to reallocate funds away from PSE and social services to raise its share of funding for health care is contrary to the recommendations of the premiers and the advice of the Romanow Commission. As indicated in the Commission's final report, "In addressing the apparent deficit in health funding, that deficit should not be passed on to PSE and social assistance." *Building on Values: Final Report of the Commission on the Future of Health Care in Canada*, page 69.



Budget Paper D

TAXATION ADJUSTMENTS

TAXATION ADJUSTMENTS

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Summary of 2005 Tax Measures

	2005/06	Full Year
	(Millions of Dollars)	
Ongoing Tax Reductions ¹		
Business tax reductions	(12.1)	(12.1)
Personal Tax Measures		
Education Support Levy reduced	(30.0)	(30.0)
Middle bracket rate reduced; basic personal amount increased	(7.5)	(30.0)
Community Enterprise Development Tax Credit extended	(0.6)	(0.6)
Manitoba Equity Tax Credit extended	(0.3)	(0.3)
Political Contributions Tax Credit enhanced	(0.1)	(0.1)
	(38.5)	(61.0)
Business Tax Measures		
General corporate rate reduced	0.0	(25.8)
Small business rate reduced	(1.3)	(11.1)
Manufacturing Investment Tax Credit enhanced	(9.5)	(10.8)
Film and Video Production Tax Credit enhanced	0.0	(2.7)
Research and Development Tax Credit increased	(0.6)	(2.5)
RST exemption for free distribution magazines introduced	(0.8)	(0.8)
Co-operative Education Tax Credit extended	(0.6)	(0.6)
	(12.8)	(54.3)
Farm and Green Tax Measures		
Farmland School Tax Rebate increased ²	(20.0)	(20.0)
RST exemption for slurry tanks and lagoon liners extended	(0.3)	(0.3)
Riparian Tax Credit – new intake	(0.1)	(0.1)
	(20.4)	(20.4)
Changes Pursuant to the Tax Collection Agreement	(0.7)	(1.5)
Net Change 2005 Budget	(72.4)	(137.2)
Net Change 2005/06 and Subsequent Years	(84.5)	(149.3)

¹ Ongoing tax reductions are those that were announced in previous Budgets to take effect in 2005. These are: (a) decrease the general Corporation Income Tax (CIT) rate to 15.0% on January 1, 2005; and (b) raise the CIT small business threshold to \$400,000 in 2005.

² This rebate was announced in the November 2004 Speech from the Throne. The total amount of the rebate for the 2004 tax year was \$13 million. The rebate rises to a total of \$20 million for 2005.

■ Education Support Levy

(2005/06 collections impact: -\$30.0 million)

The Education Support Levy (ESL) is a province-wide property tax. In Budget 2002, Manitoba made a commitment to eliminate the residential ESL over a period of five years, without affecting revenue to school divisions.

For 2005 property tax statements, the residential mill rate falls 47% from 4.56 mills to 2.42 mills. (For technical reasons, the new rate may be slightly different in the City of Winnipeg.) The new mill rate is 69% lower than the 7.92 that applied in 2001.

The total amount of residential ESL collected in 2005, at the 2004 mill rate, would have been \$64 million. With this change, the actual collection will be \$34 million. In 2001, before this series of reductions began, collections amounted to \$98 million.

■ Personal Income Tax

Middle Bracket Tax Rate and Basic Personal Amount

(2005/06 revenue impact: -\$7.5 million)

The tax rate in the middle bracket is reduced from 14.0% to 13.5% for the 2006 tax year. This rate applies to taxable income between \$30,544 and \$65,000. The change saves Manitoba taxpayers \$24.0 million beginning in the 2006 tax year.

The middle bracket was previously reduced from 16.6% in 1999 to 16.2% in 2000, 15.4% in 2002, 14.9% in 2003 and 14.0% in 2004.

The basic personal amount is increased by \$100 to \$7,734. This change saves Manitoba taxpayers \$6.0 million beginning in the 2006 tax year, and eliminates income tax for 2,000 Manitobans.

Community Enterprise Development Tax Credit

(2005/06 expenditure impact: \$0.6 million)

This Budget extends the Community Enterprise Development (CED) Tax Credit to December 31, 2008. The CED Tax Credit, introduced in Budget 2003, encourages Manitobans to invest in business opportunities in their communities and assists community-based enterprise development projects to raise necessary equity capital. The credit is 30% of the eligible investment up to a maximum investment of \$30,000. Unused credits may be carried forward ten years or back three years.

Manitoba Equity Tax Credit

(2005/06 revenue impact: -\$0.3 million)

The Manitoba Equity Tax Credit assists in the development of capital markets in Manitoba by encouraging Manitobans to invest in Manitoba companies. In the 2002 Budget, the eligibility period for companies to issue qualifying shares was extended from 2002 to 2005. This Budget extends the eligibility period for a further three years to June 30, 2008.

Political Contributions Tax Credit

(2005/06 expenditure impact: \$70,000)

For eligible political contributions made in 2005 and subsequent years, an individual may claim a tax credit equal to 75% of the first \$400, an increase from \$200. Contributions above \$400 and up to \$750 are eligible for a 50% credit, and contributions above \$750 are eligible for a 33.33% credit. The maximum credit an individual can claim increases from \$500 to \$650. The Manitoba credit is now comparable to the federal credit. The full-year cost of this measure is expected to be \$70,000.

■ Corporation Income Tax**Tax Rates**

(2005/06 revenue impact: -\$1.3 million)

Effective July 1, 2006 the general corporate rate is reduced from 15.0% to 14.5%, and effective July 1, 2007 it is further reduced to 14.0%. The small business rate is reduced on January 1, 2006 from 5.0% to 4.5% and is further reduced to 4.0% on January 1, 2007.

Reduction in Corporation Income Tax Rates since 1999

Taxable Income	1999	2005	2006	2007
Up to \$200,000	8.0%	5.0%	4.5%	4.0%
\$200,000 to \$400,000	17.0%	5.0%	4.5%	4.0%
Over \$400,000	17.0%	15.0%	14.5% ¹	14.0% ²

¹ Effective July 1, 2006 ² Effective July 1, 2007

The full-year cost of these measures is expected to be \$36.9 million.

Research and Development Tax Credit

(2005/06 revenue impact: -\$0.6 million)

This Budget announces a 33% increase to the Manitoba Research and Development Tax Credit, from 15% to 20%. The increase provides further needed support for innovation in Manitoba's knowledge-based industries. This non-refundable credit helps to offset the costs of research and development. Unused credits may be carried forward ten years or back three years. The increase takes effect after March 8, 2005. The full-year cost of this measure is expected to be \$2.5 million.

Manufacturing Investment Tax Credit

(2005/06 revenue impact: -\$9.5 million)

The Manufacturing Investment Tax Credit is broadened to include used buildings, machinery and equipment as qualifying property. The inclusion assists businesses to improve productivity in the increasingly competitive manufacturing and processing sector. This 10% credit helps to offset the capital costs for plant and equipment investments. Unused credits may be carried forward ten years or back three years.

This Budget also provides for one-fifth of the credit to be refundable. Converting the first 2% to a refundable credit accelerates the benefit of the credit to firms.

These measures take effect after March 8, 2005. The full-year cost of these measures is expected to be \$10.8 million.

Film and Video Production Tax Credit

(2005/06 revenue impact: nil)

This Budget provides enhancements to the Film and Video Production Tax Credit:

- the tax credit is increased from 35% to 45% for productions that begin principal photography after March 8, 2005
- the pre-production period is extended for productions that start principal photography after March 8, 2005
- serial productions and producers are now recognized under the frequent filming incentive, retroactive to April 20, 2004
- the rural and Northern incentive is extended to encompass more of Manitoba, retroactive to April 20, 2004.

The full-year cost of the measures is expected to be \$2.7 million.

Co-operative Education Tax Credit

(2005/06 revenue impact: -\$0.6 million)

The Co-operative Education Tax Credit is extended to December 31, 2008. The credit encourages employers in Manitoba to provide work placements to co-op students in post-secondary institutions. The credit is equal to 10% of the wages paid to a student to a maximum of \$1,000 per student per placement. Unused credits may be carried forward ten years or back three years.

■ Farmland School Tax Rebate

(2005/06 revenue impact: -\$20.0 million)

In 2004 the Farmland School Tax Rebate was introduced to provide a 33% rebate of the school division Special Levy on farmland, saving the farm community \$13 million. In 2005 the rebate increases to 50% of the Special Levy on farmland, bringing the annual tax saving to \$20 million. The rebate does not reduce the amount of tax collected for school divisions. The rebate is a payment by the province to help offset the impact of the Special Levy on the owners of farmland.

■ Retail Sales Tax**Farm Manure Slurry Tanks and Lagoon Liners**

(2005/06 revenue impact: -\$0.3 million)

To promote environmentally safe handling of animal waste on farms, this Budget extends the exemption for manure slurry tanks and lagoon liners for use in farm livestock operations to June 30, 2007.

Free Distribution Magazines

(2005/06 revenue impact: -\$0.8 million)

Effective April 1, 2005, free distribution magazines are exempted from Retail Sales Tax. This brings Manitoba in line with other provinces.

■ Riparian Tax Credit

(2005/06 expenditure impact: \$0.1 million)

The Riparian Tax Credit promotes environmentally sound management of lakeshores and of river and stream banks in agricultural areas. Since inception of the credit in 2003, about 90 kilometres of water's edge have been protected. In the third intake during 2004/05, benefits were significantly increased and the term of the commitment was lengthened from three years to five. A fourth intake of applications for this program allows agricultural operators to apply during 2005/06 to receive tax credit benefits during calendar years 2006 through 2010. To qualify, an operator must commit to maintain specific management practices on designated riparian land throughout those years. Riparian land enrolled during the 2002/03 intake becomes eligible for re-enrollment for the increased benefits and extended term of the 2005/06 intake.

■ Changes Pursuant to the Tax Collection Agreement

These measures parallel federal income tax changes announced in the 2005 Federal Budget.¹

Personal Tax Measures

(2005/06 revenue impact: -\$0.4 million)

- The contribution limits for Registered Retirement Savings Plans and Registered Pension Plans are increased in each of the years 2006 through 2009.
- Various tax measures benefiting persons with disabilities are enhanced.
- The Medical Expenses Tax Credit is enhanced.
- Individual members of agricultural co-ops are allowed to defer taxation on patronage dividends received as eligible shares until the shares are redeemed.

The full-year cost of these measures is expected to be \$700,000.

Business Tax Measures

(2005/06 revenue impact: -\$0.3 million)

- Capital cost allowance rates are increased for specified property.
- Several enhancements are introduced for efficient and renewable energy generation equipment, including higher capital cost allowance rates and the inclusion of additional types of equipment.
- Corporate members of agricultural co-ops are allowed to defer taxation on patronage dividends received as eligible shares until the shares are redeemed.

The full-year cost of these measures is expected to be \$800,000.

■ Income Trusts

Income trusts have become an important investment vehicle for both small and institutional investors. Manitoba based income trusts are now a significant part of our economy. For the protection of investors, legislation will be introduced in 2005 to limit the liability of investors in such trusts.

¹ Manitoba voluntarily entered into a Tax Collection Agreement with the federal government in which Manitoba agrees to parallel certain federal income tax provisions in return for federal administration and collection of Manitoba income taxes.

■ Technical and Administrative Measures

Amendments are being introduced to combine the administrative and compliance provisions of the provincially administered tax statutes under Part 1 of *The Revenue Act*.

Legislation will be introduced to reduce the portioning percentage on university property to zero starting in 2006.

■ Further Information

For further information, view Bulletin 105 at the Manitoba Finance website: www.gov.mb.ca/finance/taxation, or contact the appropriate office as listed below:

Retail Sales Tax

Taxation Division

Manitoba Finance

Telephone: 204-945-5603 in Winnipeg

Telephone: 204-726-6153 in Brandon

Toll Free: 1-800-782-0318 (Winnipeg)

Fax: 204-945-0896

E-mail: mbtax@gov.mb.ca

Manitoba Film and Video

Production Tax Credit

Manitoba Film and Sound

Recording Development Corporation

Telephone: 204-947-2040

Facsimile: 204-956-5261

E-mail: explore@mbfilmsound.mb.ca

Education Support Levy

Schools Finance Branch

Manitoba Education, Citizenship and Youth

Telephone: 204-945-6910

Facsimile: 204-948-2000

E-mail: mbedu@merlin.mb.ca

www.edu.gov.mb.ca/ks4/finance/

Farmland School Tax Rebate,

Riparian Tax Credit

Manitoba Tax Assistance Office

Manitoba Finance

Telephone: 204-948-2115 in Winnipeg

Toll-free: 1-800-782-0771

Facsimile: 204-948-2263

E-mail: tao@gov.mb.ca

Manitoba Equity Tax Credit

Financial Services Branch

Manitoba Industry, Economic Development and Mines

Telephone: 204-945-1453

Facsimile: 204-945-1193

E-mail: amunia@gov.mb.ca

Community Enterprise

Development Tax Credit

Regional Development Services

Manitoba Intergovernmental Affairs and Trade

Telephone: 204-945-2427

Facsimile: 204-948-2362

E-mail: lprince@gov.mb.ca

Economic Development Initiatives

Manitoba Agriculture, Food and

Rural Initiatives

Toll-free: 1-800-567-7334

www.manitoba.ca/agriculture/ri

Personal and Corporation Income Tax,

Income Trusts, Political Contributions

Tax Credit, Research and Development

Tax Credit, Manufacturing Investment Tax

Credit, Co-operative Education Tax Credit

Federal-Provincial Relations

and Research Division

Manitoba Finance

Telephone: 204-945-3757

Facsimile: 204-945-5051

E-mail: fedprov@gov.mb.ca

■ Personal Tax Savings since 1999

Personal Income Taxes, Education Property Tax Credits, Education Support Levy and Farmland School Tax Rebate

	Implemented in Tax Year:							Cumulative
	2000	2001	2002	2003	2004	2005	2006	Annual Totals
	(Millions of Dollars)							(Millions of Dollars)
Income Tax Reductions								
2000 Budget	9	68	34					111
2001 Budget		29	7	18				54
2002 Budget			15					15
2003 Budget					39			39
2005 Budget							30	30
Total								249
Property Tax Reductions ¹								
2000 Budget	26							26
2001 Budget		27						27
2002 Budget			10					10
2003 Budget				19				19
2004 Budget					23			23
2005 Budget						37		37
Total								142
Annual Totals	35	124	67	37	62	37	30	
Cumulative Annual Totals	35	159	226	262	324	361	391	391

Totals may not add due to rounding.

¹ Property Tax Reductions result from increases to the Education Property Tax Credit, reductions to the Education Support Levy, and the Farmland School Tax Rebate.

■ Manitoba Income Tax Savings for Typical Taxpayers

Income	Tax in 1999	Tax Savings		2006 Savings over 1999	Cumulative Savings over 7 Years
		in 2005	in 2006		
	(Dollars)			(Percentage)	(Dollars)
SINGLE PERSON					
10,000	178	101	112	62.9	622
20,000	1,369	178	189	13.8	1,120
40,000	4,012	471	529	13.2	2,548
70,000	9,153	1,248	1,431	15.6	6,264
100,000	14,572	1,447	1,630	11.2	7,590
SENIOR COUPLE					
30,000	571	491	513	89.9	2,950
40,000	1,632	467	489	30.0	2,868
60,000	4,542	693	742	16.3	4,063
80,000	7,844	962	1,078	13.7	5,204
FAMILY OF FOUR – ONE EARNER					
25,000	591	374	385	65.1	2,284
40,000	2,891	706	765	26.5	3,961
60,000	6,625	1,446	1,604	24.2	7,656
75,000	9,435	1,666	1,849	19.6	8,793
100,000	13,951	1,582	1,765	12.7	8,399
FAMILY OF FOUR – TWO EARNERS					
30,000	691	323	333	48.2	2,007
40,000	1,453	416	427	29.4	2,557
60,000	4,107	728	777	18.9	4,295
80,000	7,169	1,160	1,269	17.7	6,437
100,000	10,188	1,481	1,663	16.3	7,835

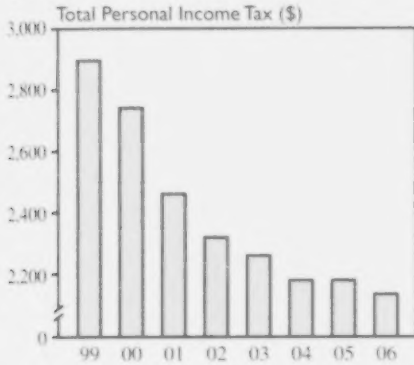
Two of the figures under Tax in 1999 are different from the previous year's presentation. The differences reflect a modification to methodology.

For the senior couple example, it is assumed that both spouses receive private pension income and the Old Age Security Pension, with the principal taxfiler receiving 60% of the total private pension amount and the other taxfiler receiving 40% of the total private pension amount.

It is assumed that taxfilers in the single and family examples have earned income and pay Canada Pension Plan and Employment Insurance premiums. In the two-earner family, it is assumed one taxfiler earns 60% of the income and the other earns 40%.

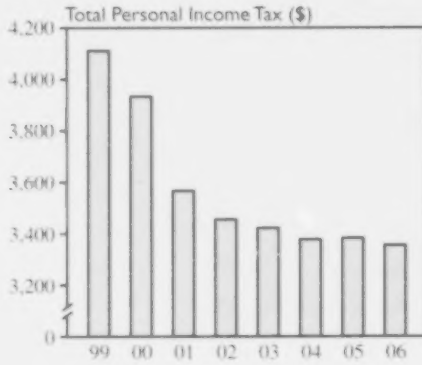
■ Manitoba Income Taxes since 1999

One-Earner Family of Four at \$40,000



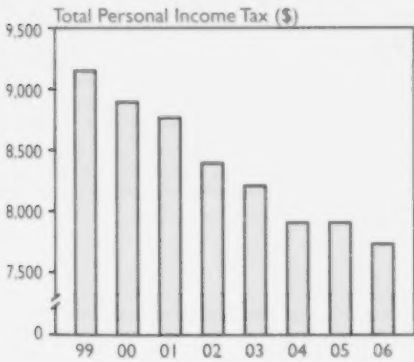
Source: Manitoba Finance

Two-Earner Family of Four at \$60,000



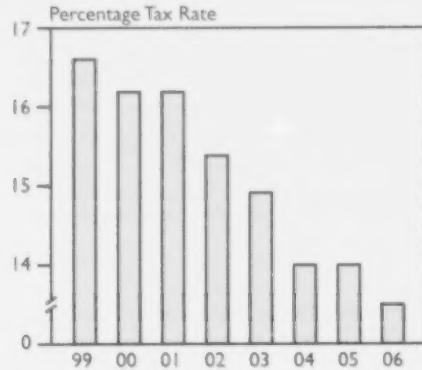
Source: Manitoba Finance

Single Individual at \$70,000



Source: Manitoba Finance

History of Middle Bracket Rate Reductions



Source: Manitoba Finance

■ 2005 Interprovincial Comparison of Tax Rates

	BC	AB	SK	MB	ON
Personal Income Tax					
Top Marginal Rate (%) ¹	14.70	10.00	15.00	17.40	17.41
Health Care Premiums (\$) ²	1,296	1,056	—	—	0 to 900
Corporation Income Tax (%)					
Small Rate ³	4.50	3.00	5.00	5.00	5.50
General Rate	13.50	11.50	17.00	15.00	14.00
Capital Tax (%) ⁴	—	—	0.60	0.30	0.30
Banks	3.00	—	3.25	3.00	0.90
Employer Payroll Tax (%) ⁵	—	—	—	2.15	1.95
Sales Tax (%) ⁶	7.00	—	7.00	7.00	8.00
Diesel Fuel Tax (¢/l) ⁷	15.00	9.00	15.00	11.50	14.30
Gasoline Tax (¢/l) ⁸	14.50	9.00	15.00	11.50	14.70
Tobacco Tax (¢/cigarette) ⁹	17.90	16.00	17.50	17.50	11.73

Rates in effect as at March 8, 2005. Only British Columbia and Manitoba have presented budgets as at March 8, 2005.

¹ Top marginal provincial rates include surtaxes paid by taxpayers in the highest bracket. For more detailed interprovincial comparisons of personal income taxes, see The Manitoba Advantage.

² The premiums for the QC Prescription Drug Plan are based on income and are a maximum of \$494 for a single person and \$988 for a family. The premiums for BC and AB are the family rates; lower rates apply for individuals. ON calculates premiums based upon taxable income: for incomes of \$20,000 or less the premium is zero and the maximum premium of \$900 is reached at an income of \$200,600.

³ QC has a rate of 8.9% grossed up by a 1.6% surcharge for an all-in rate of 9.04%.

⁴ MB has a \$5 million deduction and a 0.2% surtax on taxable paid-up capital in excess of \$10 million. SK has a \$10 million deduction, a \$10 million supplemental deduction based on a company's wage allocation to SK and a 3.6% surcharge for resource companies. NB and NS have a \$5 million exemption. QC has a \$1 million exemption and graduated rate reductions for the range between \$1 million and \$4 million. ON has a \$7.5 million deduction.

2005 Comparison of Federal and Manitoba Income Tax Rates

Personal Income Tax Rates

Federal		Manitoba	
Rate	Taxable Income Range	Rate	Taxable Income Range
16%	\$0 - \$35,595	10.9%	\$0 - \$30,544
22%	\$35,596 - \$71,190	14.0%	\$30,545 - \$65,000
26%	\$71,191 - \$115,739	17.4%	over \$65,000
29%	over \$115,739		

QC	NB	NS	PE	NL	
19.22	17.84	17.50	18.37	19.64	Personal Income Tax
988	—	—	—	—	Top Marginal Rate (%) ¹
					Health Care Premiums (\$) ²
					Corporation Income Tax (%)
9.04	2.50	5.00	7.50	5.00	Small Rate ³
9.04	13.00	16.00	16.00	14.00	General Rate
0.60	0.30	0.30	—	—	Capital Tax (%) ⁴
1.20	3.00	4.00	5.00	4.00	Banks
4.26	—	—	—	2.00	Employer Payroll Tax (%) ⁵
7.50	8.00	8.00	10.00	8.00	Sales Tax (%) ⁶
16.20	16.90	15.40	16.50	16.50	Diesel Fuel Tax (¢/l) ⁷
15.20	14.50	15.50	17.00	16.50	Gasoline Tax (¢/l) ⁸
10.30	11.75	15.52	17.45	16.00	Tobacco Tax (¢/cigarette) ⁹

¹ NL exempts firms with payrolls of less than \$600,000. ON exempts firms with payrolls of less than \$400,000. MB exempts firms with payrolls of less than \$1 million. QC has graduated rates for firms with payrolls of under \$5 million.

² Retail Sales Tax refers to general rate only. QC and PE apply this sales tax on top of GST-inclusive prices. Sales taxes in NB, NS and NL are harmonized with the federal Goods and Services Tax.

³ Vancouver and Victoria levy an additional 6 cents and 2.5 cents per litre respectively. QC applies QST and NB, NS and NL apply HST.

⁴ Vancouver, Victoria and Montreal levy an additional 6 cents, 2.5 cents and 1.5 cents per litre respectively. QC applies QST and NB, NS and NL apply HST.

⁵ SK, MB, NB, NS and NL apply sales tax to all tobacco products.

Corporation Income Tax Rates

	Federal	Manitoba
Basic Rate*	21.00%	15.00%
Surtax	1.12%	
Total	22.12%	

Small Business Income Tax Rates

	Federal	Manitoba
Basic Rate	12.00%	5.00%
Surtax	1.12%	
Total	13.12%	
Threshold	\$300,000	\$400,000

* After provincial abatement and general rate reduction

Appendix:

TAX EXPENDITURES 2004/05

■ Introduction

Governments use the tax system to pursue social, cultural and economic objectives in two ways: by direct spending of the revenue raised, and by providing targeted tax preferences to promote specific types of activity or behaviour. The targeted tax preferences can be thought of as tax expenditures since they have much the same effect as direct government spending. For example, direct grants for small businesses, and tax credits for people who invest in small businesses, could have quite similar costs and results.

A tax expenditure is measured as a deviation from a benchmark tax base. The expenditure can be in the form of a deduction, credit, preferential rate, deferral or exemption. Tax expenditures may target taxpayers (ex: individuals, corporations); activities (ex: farming, film production, manufacturing); property (ex: machinery, equipment); sources of income (ex: pensions); transactions (ex: RRSP contributions) or events (ex: involuntary dispositions).

■ Accounting for Tax Expenditures

Tax expenditure accounts promote accountability and transparency in government programming. Direct expenditure programs are subject to review and approval by the legislature and are published annually in the public accounts. Tax expenditures, on the other hand, are not recorded as individual line items but are absorbed into revenue estimates. Tax expenditures reduce government revenues that would otherwise have been available for various direct expenditures. Therefore, tax expenditure accounts not only help to enhance the visibility of programs, but promote public accountability as well.

Departments routinely estimate and evaluate the cost of various tax incentives as part of the annual budget process. It is generally understood that tax expenditure accounting in no way evaluates tax policy, nor does it address the desirability of the tax provisions, or their usefulness in achieving tax policy objectives. Tax expenditure accounts should not be associated with identifying tax loopholes or areas where reform is needed.

■ Limitations of Tax Expenditure Accounting

Tax expenditure accounting has important limitations that must be kept in mind when interpreting results.

1. There are no formal accounting guidelines for tax expenditures.
2. The value of each tax expenditure is estimated individually. Interactions between provisions are not taken into account. This has two effects. First, estimates for two or more tax expenditures cannot be added together to arrive at a combined value. Second, changing any one tax expenditure might affect the value of other tax expenditures.
3. The values in the account are estimates.

Point two can best be illustrated by example. Changing something that is a deduction from income (ex: RRSP contributions) would change reported net income. This in turn would change the value of tax credits, such as Manitoba's Personal Tax Credit, that depend on net income. The combined value of the tax expenditures listed in the account is substantially less than the sum of the individual items.

■ Reporting Tax Expenditures

Manitoba's tax expenditure accounts are separated into six sections: personal income tax, corporation income tax, payroll tax, retail sales tax, fuel taxes and corporation capital tax. The estimates are calculated from tax collection and departmental data. The estimates provided are for the 2004/05 fiscal year. They do not include measures announced in the 2005 Budget, or measures announced in previous budgets for implementation after 2004.

Certain Manitoba personal income tax credits have the characteristics of tax expenditures but are, in fact, accounted for in Manitoba's *Estimates of Expenditure*. These credits are not included in the tax expenditure table. For the sake of comparison, these credits are listed below.

Credit	\$ Millions
Education property tax credit (including the homeowners' advance)	179.4
Personal tax credit	48.2
Farmland school tax rebate	20.0
School tax credit for homeowners	2.7
Community enterprise development tax credit	0.6
Political contributions tax credit (for individuals only)	0.5
Riparian tax credit	0.1

■ Manitoba Tax Expenditures, 2004/05

(Millions of Dollars)

(A) PERSONAL INCOME TAX – DEDUCTIONS FROM INCOME

(federal legislation – mandatory under tax collection agreements)

Contributions to RRSs	118.9
Capital gains inclusion rate	61.8
Contributions to RPPs	58.6
Lifetime capital gains exemption	27.9
Social assistance, WCB, and OAS/GIS (non-taxable income)	16.8
Union dues and professional fees	12.5
Child care expenses	9.4
Northern residents deduction	4.4
Moving expenses	1.5

(B) PERSONAL INCOME TAX – NON-REFUNDABLE TAX CREDITS

(basic credits provided federally and by all provinces)

Basic personal	531.3
CPP/EI	92.1
Charitable donations	50.1
Age	27.0
Spousal	21.7
Tuition fees and education amount (\$400/month)	21.5
Medical expenses	17.0
Eligible dependent	12.5
Private pension	10.4
Disability	7.5
Foreign tax credit	2.3
Caregiver	1.3
Student loan interest	0.9
Infirm dependents	0.1

(C) OTHER MANITOBA TAX MEASURES

Personal Income Tax

Labour-sponsored funds tax credit	6.3
Mineral exploration tax credit	0.4
Overseas employment tax credit	0.3
Manitoba equity tax credit	0.1

Corporation Income Tax

Low rate for small business	109.3
Manufacturing investment tax credit	24.5
Film and video production tax credit	12.0
Research and development tax credit	9.5
Co-operative education tax credit	0.6
Odour-control tax credit	0.5

Payroll Tax

\$1 million exemption	107.2
Exemption for extra-provincial commercial carriers	11.4

Retail Sales Tax Exemptions

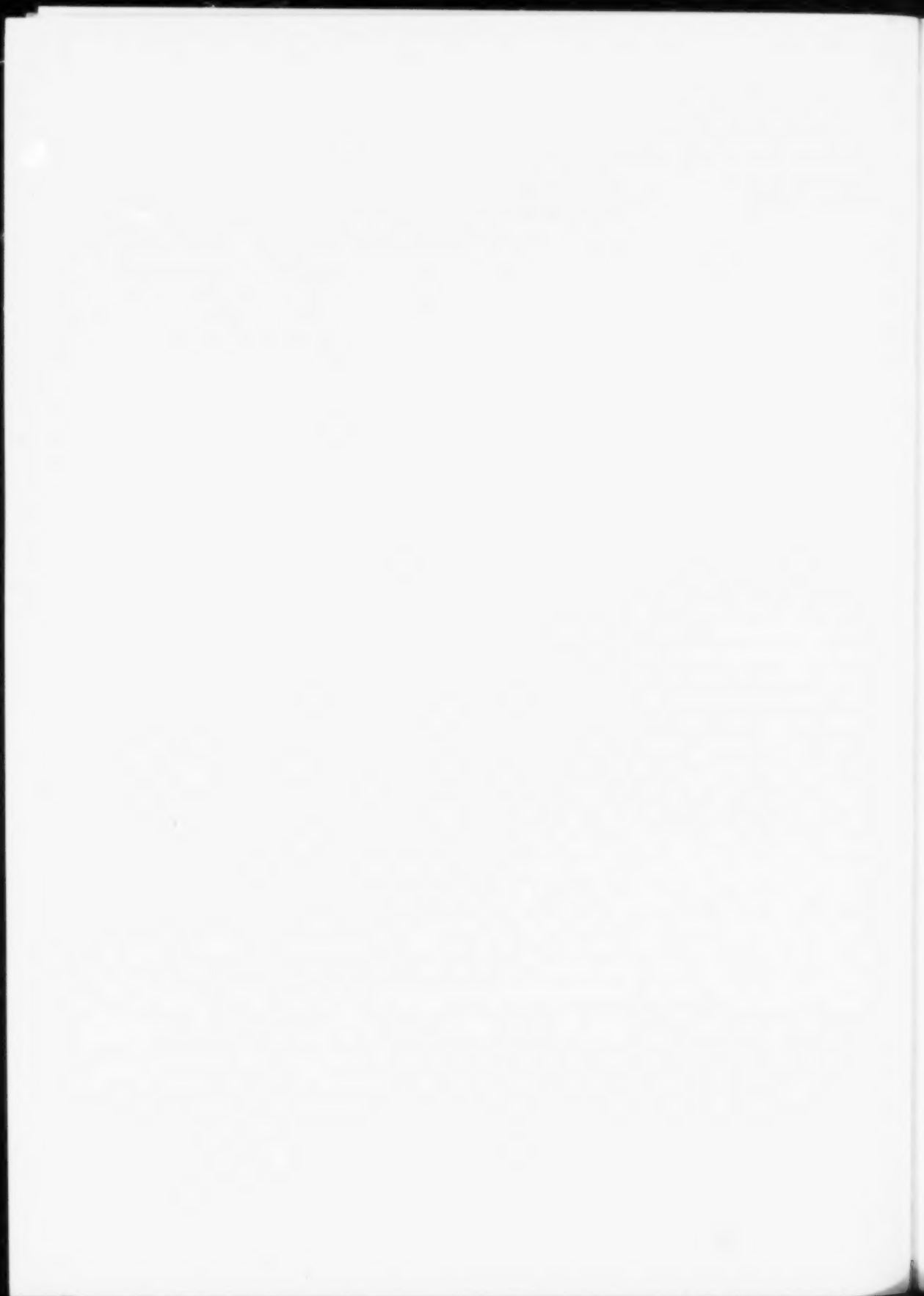
Groceries	193.0
Farm machinery and repairs	40.0
Farm and organic fertilizer	20.4
Prescription drugs and medicine	16.8
Farm pesticides and herbicides	15.5
Books, free newspapers and school yearbooks	14.5
Natural gas for residential heating	14.2
Electricity for residential heating	11.8
Medical supplies, appliances and equipment	10.6
Electricity used for manufacturing or mining	10.1
Purchased water	9.4
Children's clothing and footwear	8.8
Vehicle trade-ins	6.0
Custom software & computer programming	5.7
Toll-free calls	4.5
Vehicle private buy/sell refunds	4.0
Direct agents	2.1
(manufacturing & service industries, drill bits & explosives used in mining industry)	
Municipal exemptions	1.4
(including ambulances, fire trucks and related equipment, gravel/sand for own use)	
Feminine hygiene products	1.0
Mobile, ready-to-move and modular homes	0.8
Films for public broadcast	0.4
Farm manure slurry tanks and lagoon liners	0.3
Qualifying geophysical survey & exploration equipment and prototype mining equipment	0.1

Fuel Taxes

Marked gasoline and diesel	47.2
Gasohol taxed at lower rate	2.2

Corporation Capital Tax

\$5 million deduction	30.1
Credit unions and caisses populaires exemption	3.3
Co-operatives exemption	0.7



Manitoba 

Budget Paper E

**THE MANITOBA
ADVANTAGE**

THE MANITOBA ADVANTAGE

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THE MANITOBA ADVANTAGE

In 2004, more people moved to Manitoba than in any other year in modern times. Strong net migration to the province helped push Manitoba's overall population growth to its highest level in 20 years.

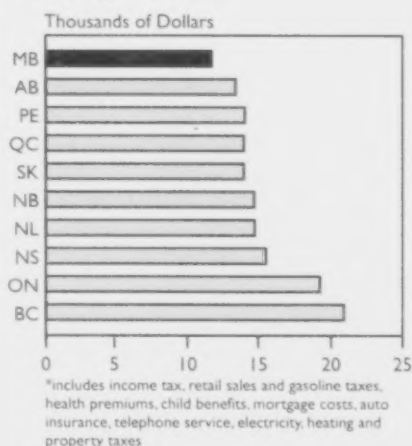
The significant increase in the number of young people coming to Manitoba bodes well for the future. Over the past four years, Manitoba has had increasing net gains of young people through immigration; this, in turn, has helped boost the size of the provincial labour force significantly.

Strong growth in the number of young Manitobans attending the province's universities and colleges is laying the foundation for future economic growth and the development of key, knowledge-based industries. Significant investments in both education and research facilities over the past few years also add to the province's capacity for innovation, productivity growth and new product development.

Immigration has always been a driver of economic growth in our province, and Manitoba has once again become a destination of choice for people looking for rewarding opportunities. More than this, Manitoba also offers investors a competitive business environment – an environment built upon a unique combination of factors we call The Manitoba Advantage:

- a productive, well-educated and multilingual labour force
- an extremely favourable business cost environment, including competitive office and land costs, low construction costs and affordable taxes
- one of North America's lowest electricity costs with highly reliable, renewable and environmentally responsible hydro-electricity

2005 Comparison of Annual Personal Costs and Taxes: Single-Earner Family of Four Earning \$40,000*



Manitoba Credit Ratings, February 2005

	Credit Rating	Provincial Rank*
Moody's Investors Service	Aa2	2nd (tie)
Standard & Poor's	AA-	4th (tie)
DBRS	A(high)	4th (tie)

* 1st=highest

Moody's - reaffirmed July 2004

Standard & Poor's - reaffirmed September 2004

DBRS - confirmed June 2004

Average House Price Senior Executive

Toronto	\$914,041
Vancouver	791,750
Montréal.....	544,954
Calgary	532,614
Saint John	358,500
Halifax	350,000
St. John's	264,333
Charlottetown	263,000
Regina	247,000
Winnipeg.....	243,750

Source: Royal LePage Survey of Canadian House Prices,
Fourth Quarter 2004

Average House Price Standard Townhouse

Vancouver	\$321,321
Toronto	277,136
Montréal.....	183,695
Calgary	173,489
Halifax	134,333
Regina	118,250
Saint John	112,200
Charlottetown	103,000
St. John's	97,667
Winnipeg.....	89,406

Source: Royal LePage Survey of Canadian House Prices,
Fourth Quarter 2004

- modern and extensive communications infrastructure
- an extensive network of research and development facilities, supporting innovation and technology diffusion
- a convenient mid-continent location in the North American central time zone
- cost-effective transportation links and intermodal facilities providing shipping by road, rail, air and sea
- an extremely favourable cost of living, including the lowest auto insurance rates in Canada
- reliable and accessible public services, including quality universal public health care and education and
- safe communities, a dynamic cultural and artistic community, and an attractive natural environment – all of which contribute to an unsurpassed quality of life.

This budget paper provides details on The Manitoba Advantage, including business and personal costs and taxes, facts on Manitoba's quality of life and Manitoba's Arts and Culture Advantage.

■ What is The Manitoba Advantage?

Manitoba has one of Canada's most diverse economies. It is home to a number of major industries including aerospace, bus manufacturing, food processing, health products and research, financial services, cultural industries, electricity, chemicals, agriculture and transportation. While the province has considerable strength, it also has balance: no one sector dominates the Manitoba economic landscape.

Provincial economic diversity provides stability to the overall economy. Manitoba's real GDP growth has been the most consistent among the provinces

over the last five years. This economic certainty contributes to a more stable workforce and a predictable local business climate.

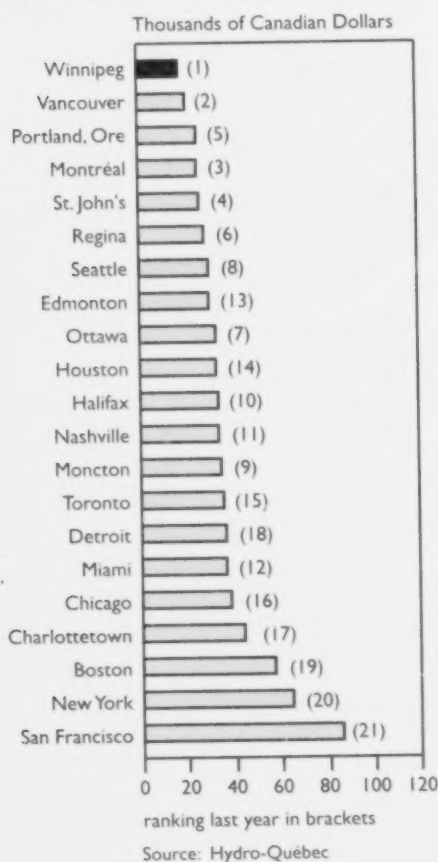
Manitoba's published electricity rates are among the lowest in the world. Manitoba Hydro, one of North America's major electricity companies, has generating capacity of over 5,000 megawatts with tremendous potential for future growth. Virtually all of the province's electricity is generated by clean, reliable and environmentally desirable water-powered facilities. Manitoba is exploring options for more clean energy through investments in additional hydro-electric generation and large, leading-edge wind power facilities.

Manitoba is located at the northern end of the mid-continental trade corridor, as well as at the major junction of Canada's east-west transportation system. Winnipeg is the only major city between Vancouver and Thunder Bay with direct U.S. rail connections. These factors position Manitoba to further expand trade and transportation links. Winnipeg's extensive and modern rail car marshalling facilities can handle over 5,000 rail cars per day. Three of Canada's top ten for-hire trucking carriers have headquarters in Winnipeg. An estimated 350-400 carrier firms operate in Manitoba, and 90% of these operate interprovincially or internationally. Together, these facilities offer substantial flexibility and cost savings to business, with ready access to the world's largest market.

A flexible and convenient air transportation system is vital to business success. Winnipeg International Airport is one of the few major North American airports that operate 24 hours per day. The airport offers a broad range of services, including international carriers, commuter airlines, jet freight and extensive cargo and courier facilities. In 2004, it served three million passengers and moved 100,000 tonnes of air cargo. In 2005, the Winnipeg Airport Authority is about to embark

*Manitoba's published
electricity rates are among
the lowest in the world.
Manitoba Hydro,
one of North America's
major electricity companies,
has generating capacity of
over 5,000 megawatts, with
tremendous potential for
future growth.*

**Monthly Industrial Electric Bills
Medium-sized Commercial/
Industrial Customer
400,000 Kilowatt Hours, 2004**



on an extensive, multi-year capital improvement program, with planned investment of \$350 million over the next four years, including the construction of a new air terminal building.

Churchill is the only deep-water port in the prairie region. Located on Hudson Bay, the port brings Atlantic Ocean trade to Western Canada. The Port of Churchill offers shippers major cost advantages for ocean shipping to and from Europe, Africa and Latin America.

Manitoba has an abundance of natural resources. The mining industry extracts and processes a diverse mix of minerals, including nickel, copper, zinc, gold, cesium and tantalum. Manitoba has a large and long-established forestry industry that produces paper, newsprint and lumber. The inland commercial fishing industry is one of Canada's largest. A temperate climate, rich soil, fresh water and a large land base have made Manitoba a key agriculture producer. Careful management of Manitoba's natural endowments ensures the sustainable development of these resources now and in the future.

Manitobans enjoy advanced connectivity through a comprehensive telecommunications infrastructure. Broadband services are widely available and the extensive cellular network covers virtually all of the province's population.

Research and innovation continue to play an important role in Manitoba's economic growth and diversification. The province has a strong and growing knowledge cluster in a number of fields, although the research and development (R&D) presence is most notable in life sciences. Private industry, government and post-secondary institutions contribute to the province's growing R&D infrastructure.

Manitoba remains committed to providing quality public services such as health care. There are no premiums or personal charges for medical services

in Manitoba for either employers or individual Manitobans. This is a major advantage over U.S. locations for both businesses and residents. In the U.S., employers paid an average of US\$7,300 per employee for family health care insurance in 2004.

Having the skills and knowledge to take on the challenges of the 21st century is a prerequisite for a prosperous and growing economy. Manitobans enjoy a quality public education system, including affordable, high-quality post-secondary education opportunities in several universities and colleges. Higher education continues to be affordable in Manitoba, with undergraduate tuition among the most affordable in Canada. About 20,000 students attend the University of Manitoba, the largest of Manitoba's four universities, on a full-time basis with another 7,000 attending part-time. The university offers a wide range of post-secondary programs, including a wide range of graduate programs, sciences and arts, medicine, law, architecture, fine arts, engineering, and agriculture. Another 13,000 students are enrolled in full- or part-time study at Manitoba's other three universities. Together, Manitoba universities graduated almost 6,000 students last year. As well as university study, over 14,000 students are enrolled in full- or part-time study at Manitoba's four community colleges.

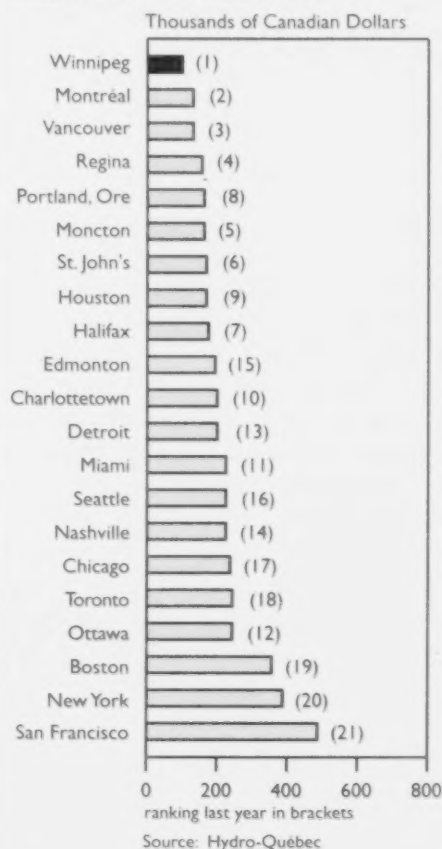
Competitive operating costs and taxes have made Manitoba one of the least expensive provinces in Canada to do business. KPMG's *2004 Competitive Alternatives Study* confirmed other analyses that show Winnipeg is one of the most cost-competitive cities in Canada in which to do business. More details on Manitoba's business cost advantage can be found in Appendix I, Manitoba's Competitive Environment for Manufacturing (see p.11).

Monthly Industrial Electric Bills

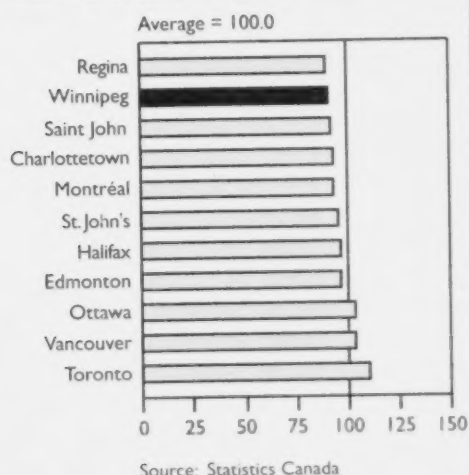
Large-sized Commercial/

Industrial Customer

3,060,000 Kilowatt Hours, 2004



Intercity Comparison of Retail Prices, October 2003



Manitoba's Quality of Life Advantage

Winnipeg is a growing cosmopolitan centre of almost 700,000, and workers enjoy the benefits of convenient and community-minded living. The average commuting distance to work in Winnipeg is less than six kilometres, the lowest of any Canadian city with population over 500,000.

Winnipeg is recognized as one of Canada's most family-friendly cities. Affordable living costs, good schools, excellent child-care options, and a safe environment make Manitoba a great place to raise a family.

Manitobans care. The rate of volunteerism in the province is consistently among the highest in the nation. Moreover, Manitobans have the highest proportion of charitable giving of any province. This reflects Manitobans' community spirit and long tradition of helping others. The Government of Manitoba also provides indirect contributions to culture through tax credits on charitable donations. In 2002, Manitobans donated more than \$639 million to all registered charities including \$275 million from individual taxpayers. Through charitable donations tax deductions, Manitoba contributed \$103 million in 2002, including \$43 million in tax credits to individual taxpayers.

Winnipeg has an active and vibrant artistic and cultural scene, including the Winnipeg Art Gallery, the Manitoba Museum, the Royal Winnipeg Ballet, the Winnipeg Symphony Orchestra, the Manitoba Theatre Centre and many other live theatre groups. Manitoba's diverse population has created a rich and fascinating mosaic of cultural and artistic accomplishments. For more details, see The Manitoba Arts and Culture Advantage, page 8.

In November 2004, the new \$135 million, 17,000-seat multi-use sports and entertainment facility, the MTS Centre, opened in Winnipeg. With superb acoustics and excellent sightlines, the world-class

MTS centre venue is drawing numerous entertainment events to Manitoba, including the 2005 Juno Awards. The location of this state-of-the-art facility in downtown Winnipeg is also acting as a catalyst for further development of Winnipeg's downtown district, already the site of many major capital projects this year.

Manitoba has a long sporting tradition. There are professional sports teams in the Canadian Football League, the American Hockey League and the Northern Baseball League. With more than 120 golf courses, Manitoba has one of the highest ratios of golf courses to golfers in Canada, as well as one of the highest golfing participation rates in Canada. More than one in four Manitobans tee off in the province each year.

Beaches, lakes, rivers and parks are integral parts of Manitoba's quality of life. Manitoba is a province of 100,000 lakes – you're never far from an opportunity to participate in water sports like canoeing, kayaking, swimming, or to just relax at one of Manitoba's world-class beaches. Proximity to lakes and affordable vacation homes has given Manitobans one of the highest rates of vacation homeownership in the country. Winters offer extensive family recreation opportunities for skiing, curling, snowmobiling and (of course) hockey. Whether you are an observer or a participant, the choices for recreation are endless.

■ Conclusion

Budget 2005 builds on Manitoba's considerable advantages. To show Manitoba's cost competitiveness in more detail, two appendixes are attached. The first, Manitoba's Competitive Environment for Manufacturing, provides a detailed comparison of the taxes and costs faced by representative manufacturers in various Canadian and U.S. cities (see p.11). The second is an Interprovincial Comparison of Annual Personal Costs and Taxes (see p.17).

According to an Ipsos-Reid survey, Manitoba has the highest level of cottage ownership in Canada at 11%.

With more than 120 golf courses, Manitoba has one of the highest ratios of golf courses to golfers in Canada, as well as one of the highest golfing participation rates in Canada. More than one in four Manitobans tee off in the province each year.

THE MANITOBA ARTS AND CULTURE ADVANTAGE

Culture and the arts are an integral part of the Manitoba way of life and the economy. Our strong cultural scene enriches our lives, and is built on our diverse ethnic fabric, world-class attractions, and the imagination and creativity of our citizens. As an economic sector, culture stimulates creativity and growth. It is for all of these reasons that the Manitoba government actively supports and promotes the cultural scene in the province.

■ The Manitoba Arts and Culture Scene

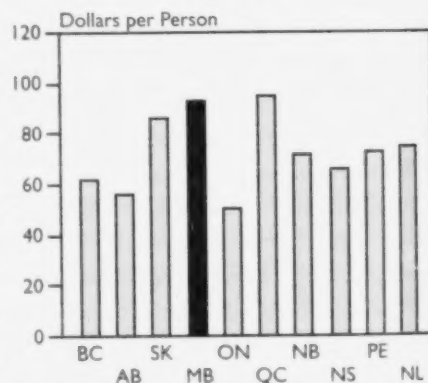
Manitoba has one of the most diverse cultural environments in Canada: more than one-fifth of Manitobans are members of a visible minority. This diversity, combined with our love of the arts and culture, provides the nurturing environment for artistic and cultural expression to blossom.

Our Aboriginal communities are among the largest and most creative in Canada and new initiatives by the Government of Manitoba continue to enrich our communities. The Aboriginal Cultural Initiatives Program and the Aboriginal Music Initiative help to bring the creative genius of our Aboriginal community together to the benefit of all Manitobans.

Manitoba is home to the second-largest Francophone community outside of Quebec in Canada and is steeped in rich tradition. The French quarter of St. Boniface hosts the Centre culturel francomanitobain with many resident francophone organizations such as L'Ensemble folklorique de la Rivière-Rouge, as well as Le Cercle Molière, Canada's oldest continuously operating professional theatre company. Other francophone communities throughout the province are home to numerous annual cultural events and organizations that make Manitoba a great place to live, in both official languages.

Manitoba supports a number of diverse cultural organizations and activities throughout the year that enrich the lives of Manitobans and attract many visitors to a province that embraces diversity. Manitoba is home to the largest Icelandic settlement in the world outside Iceland, one of the largest Filipino communities in Canada and many vibrant Ukrainian and Mennonite communities throughout the province. Examples of this rich diversity include the India School of Dance Music and Theatre, which is enjoying its 25th anniversary in 2005, and Oseredok – the Ukrainian cultural and education centre which is in its 60th year of operation in Winnipeg.

Provincial Government Per Capita Expenditures on Culture, 2002/03



Source: Statistics Canada

Many of Canada's premier cultural attractions are found in Manitoba. The world famous Royal Winnipeg Ballet was one of the first dance companies to be established in Canada and performs around the world. The Winnipeg Symphony Orchestra, the Manitoba Opera, the Winnipeg Art Gallery, the Costume Museum of Canada, and sites like Lower Fort Garry and The Forks, are only a small sample of the hundreds of attractions found throughout the province. The Manitoba Museum is a highlight for visitors to the province, and has achieved the Michelin Guide three-star rating.

Manitoba also boasts many contemporary cultural attractions such as the Plug In Institute of Contemporary Art, the Winnipeg Film Group, Platform Centre for Photographic and Digital Arts and Urban Shaman Inc., an Aboriginal artist-operated centre that presents contemporary visual art.

There are also exceptional venues across the province, ranging from the Keystone Centre and the Western Centennial Auditorium in Brandon, to the Prairie Theatre Exchange, Rainbow Stage and the Manitoba Theatre Centre in Winnipeg. Last year, Manitobans saw the opening of the MTS Centre, the new 17,000-seat, \$135 million entertainment centre and arena. The MTS Centre is just one of many new investments in Winnipeg's downtown district and is a key reason for Winnipeg being selected to host the 2005 Junos.

Manitoba boasts many world-class festivals throughout the year. In winter, the Festival du Voyageur attracts over 150,000 visitors to Winnipeg's French quarter. Further north, the Manitoba Trappers Festival in The Pas celebrated its 58th year in 2005, and in Brandon, the Royal Manitoba Winter Fair attracts people from across Canada.

People from around the world are also drawn to Winnipeg's summer festivals, such as Folklorama, the world's largest multi-cultural festival. Folklorama attracts over 400,000 visits to over 40 pavilions during its two-week run and was voted the best festival in Canada. The Winnipeg Fringe Festival, the second-largest festival of its kind in North America, boasted a total attendance of over 161,000 in the summer of 2004. Last year, the 17th annual Winnipeg Fringe Festival hosted performers from as far afield as Australia, France, Scotland, South Africa and New York, and was supported by 790 volunteers. The Winnipeg Folk Festival attracts over 55,000 and contributes more than \$16 million to the provincial economy. Other important festivals include the Jazz Winnipeg Festival, Canada's National Ukrainian Festival in Dauphin and the Icelandic festival of Manitoba, *Íslendingadagurinn*, in Gimli. Vibrant community fairs and exhibitions can be found in every corner of the province. Several festivals are also geared for young people, including Freeze Frame, a film festival for children and young people, and the Winnipeg International Children's Festival, which builds on first-rate children's attractions such as the Manitoba Theatre for Young People and the Manitoba Children's Museum.

■ Provincial Support for Arts and Culture

Arts and culture play a key role in enhancing our economy and economic competitiveness. Manitoba has one of the highest per capita revenue and attendance levels for arts and culture in Canada and the sector employs over 14,000 people. A recent study by the Canada West Foundation, *Culture and Economic Competitiveness*, highlights the social benefits that cultural industries can provide. These include improving health and well-being, enhancing community identity and social cohesion, and facilitating community revitalization.

Culture and the arts are actively supported by the Manitoba government. The provincial government spent \$112 million on the arts and cultural industries sector during the 2002/03 fiscal year, the latest period for which Statistics Canada's data on culture is available. At \$93 per person, Manitoba has the second-highest provincial per capita spending on culture (see Chart, p. 8). In addition, the province provides substantial support to cultural organizations in Manitoba through tax credits on charitable contributions to these organizations.

The video and film production industry is rapidly expanding in the province with production budgets of over \$96 million last year. Through the Manitoba Film and Video Production Tax Credit, direct equity financing and other programs, the Manitoba government provided over \$16.1 million in direct support for this industry in 2004/05. In 2005, Manitoba has announced that it will strengthen its support for film production in the province through enhancements to the film tax credit program.

Appendix I:

MANITOBA'S COMPETITIVE ENVIRONMENT FOR MANUFACTURING

Manufacturing is Manitoba's largest economic sector, accounting for approximately 12.3% of provincial GDP and two-thirds of total foreign merchandise exports. Approximately 70% of Manitoba's merchandise exports to the United States are manufactured goods.

Manufacturing industries directly employ one in eight Manitoba workers. In 2004, manufacturing industries employed 69,100 people in Manitoba. Many more Manitobans work in industries that depend on manufacturing activities.

Manitoba's manufacturing sector is highly diversified, producing a broad range of industrial and consumer goods. Major manufactured goods include urban and intercity buses, aerospace equipment, chemicals and fertilizers, machinery, pharmaceuticals, processed meats, processed vegetables and grain products, furniture, apparel, newsprint, plastic-products, windows and fabricated metals. Manitoba is North America's largest manufacturer of buses. Canada's largest furniture factory, owned by Palliser Furniture Ltd., is located in Manitoba. Maple Leaf Foods operates one of the world's largest and most technologically advanced meat processing plants in Brandon, Manitoba's second-largest city. Manitoba is Canada's third-largest aerospace centre, as well as the country's third-largest apparel manufacturing centre.

Manitoba's competitive and cost-effective business environment continues to attract manufacturing investment. Manufacturers are taking advantage of the province's central location and its excellent transportation links to the rest of North America. Industrial and commercial land costs are lower than in other major metropolitan centres, and Manitoba's electricity costs are among the lowest in North America. Manitoba has a skilled and well-educated workforce ready to take advantage of the opportunities provided by the province's growing manufacturing sector.

Since 1992, Manitoba Finance's competitiveness model has been used to compare the tax structure and cost environment for a representative small and larger manufacturing firm. The model is used to assess Manitoba's competitive position relative to several other North American cities.

The model simulates startup costs, operating costs and financial and taxation profiles over a period of 20 years. It incorporates future changes in taxes that have been announced by the federal and provincial or state governments. The representative firms' profiles have been updated using the most recent data available from Statistics Canada, local economic development boards and other public information sources.

■ Interjurisdiction Competitiveness

The following indicators are used to assess cost and tax competitiveness for both a small and a larger manufacturing firm over a 20-year period:

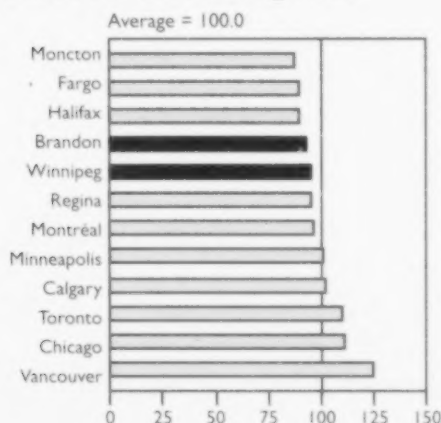
- net cost of investment, or startup costs (including applicable taxes)
- pre-tax net income
- effective tax rates
- internal rates of return

This analysis uses a variable cost model and calculates net revenue and cash flow, including startup costs, based on the operating costs in each location. The results for each city are compared to the overall average of all cities for each of the indicators and presented in the charts that follow.

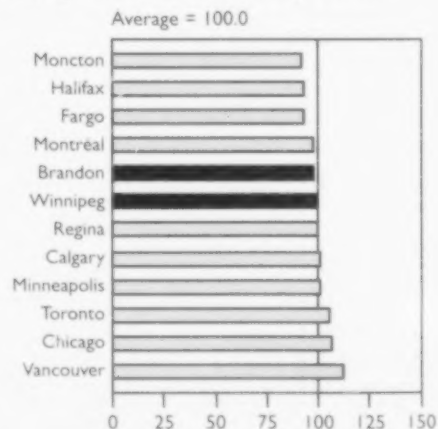
Net Cost of Investment

The costs of starting a manufacturing plant (land, buildings, and machinery and equipment) are lower in Manitoba than the average for all cities. Taxes have a negligible impact on net costs. The net cost of investment for larger metropolitan centres tends to be higher than the overall average, primarily because of the cost of land and construction labour costs. The results presented are consistent with those of previous years.

Net Cost of Investment Small Manufacturing Firm



Net Cost of Investment Larger Manufacturing Firm



Pre-Tax Net Income

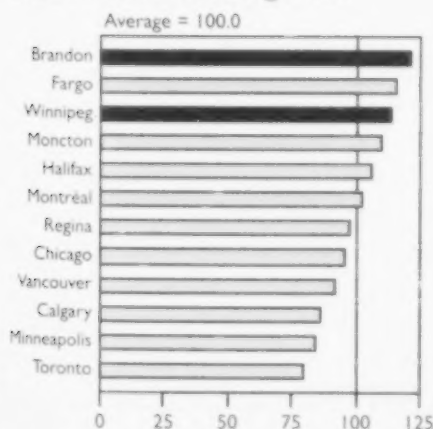
The model calculates pre-tax net income by subtracting from a common level of revenue the following location-sensitive operating costs:

- average manufacturing wages
- local utility charges (electricity and telephone)
- interest costs
- capital depreciation

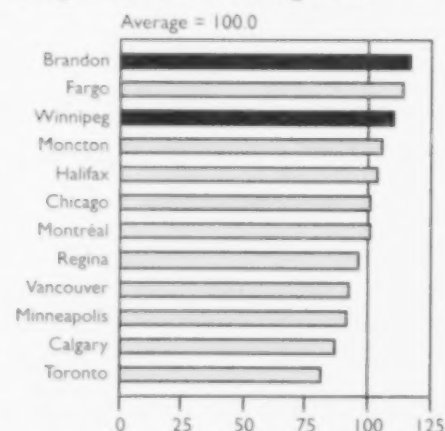
Pre-tax net income is used to compare Manitoba's cost competitiveness to the other locations. A higher pre-tax income indicates lower operating costs in a given jurisdiction. The sales figures used in the simulation model are fixed across the cities, \$4 million for the small firm and \$45 million for the larger firm, for years five through 20. Production material costs are expressed as a percentage of sales and are also fixed across jurisdictions.

Brandon yields the highest pre-tax net income for both the small and larger manufacturing firms. Winnipeg has dropped from second to third behind Fargo due to the appreciation of the Canadian dollar. However, Winnipeg remains well above the average. A talented, well-educated and productive labour force, low utility costs and lower than average startup costs contribute to the cost advantages of operating a manufacturing plant in Manitoba.

Pre-Tax Net Income Small Manufacturing Firm



Pre-Tax Net Income Larger Manufacturing Firm



Effective Tax Rates

Effective tax rates are generated by computing gross taxes as a proportion of pre-tax net income over the 20-year period.

The following operating taxes are included in the analysis:

- corporation income taxes
- local property and business taxes
- corporation capital and U.S. franchise taxes
- payroll taxes
- workers' compensation premiums
- statutory pension and unemployment insurance premiums
- employer-paid health premiums

The following tax expenditures that benefit the manufacturing sector are also taken into account:

- investment tax credits
- tax holidays
- accelerated capital cost allowances
- preferential tax rates

Not included in the model are enterprise zones, grants, and other forms of governmental and third-party financial assistance programs.

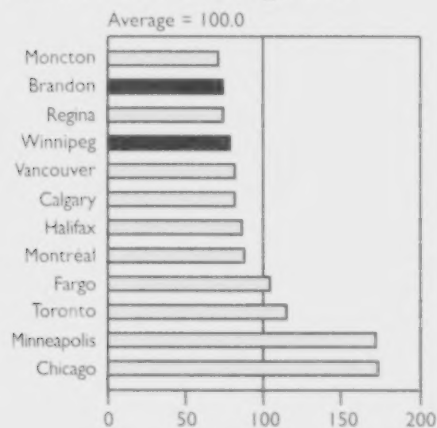
The effective tax rates in Manitoba are well below the overall average. Among Canadian cities, Manitoba cities have lower than average effective tax rates among small manufacturing firms. They are average for larger firms.

Overall Competitiveness

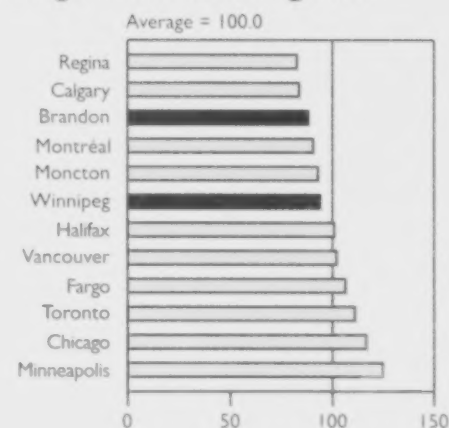
Overall competitiveness is compared by calculating internal rates of return. The internal rate of return is commonly used for business investment and location decision making. The following charts illustrate the combined effect of taxes and costs on the internal rates of return for the representative small and larger manufacturing corporations in the selected jurisdictions.

The internal rates of return for both Winnipeg and Brandon are well above the overall average of the cities included in the study.

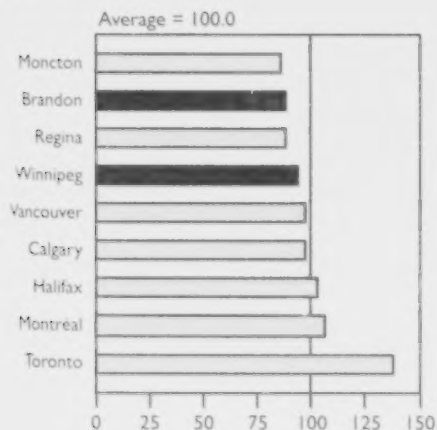
Effective Tax Rates Small Manufacturing Firm



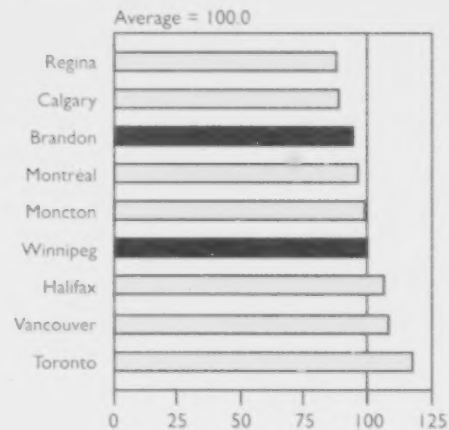
Effective Tax Rates Larger Manufacturing Firm



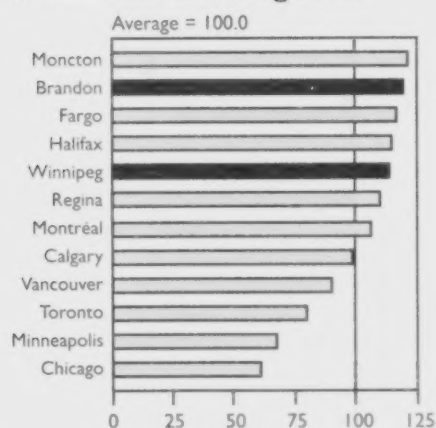
Effective Tax Rates Small Manufacturing Firm Canadian Cities



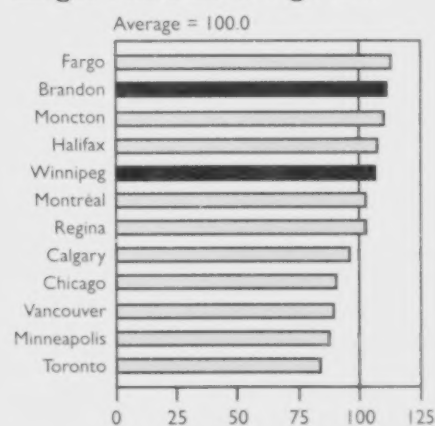
Effective Tax Rates Larger Manufacturing Firm Canadian Cities



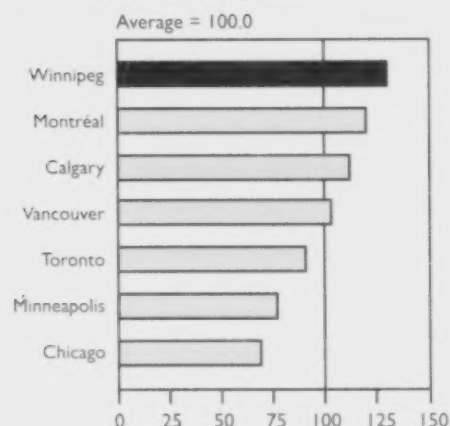
Internal Rates of Return Small Manufacturing Firm



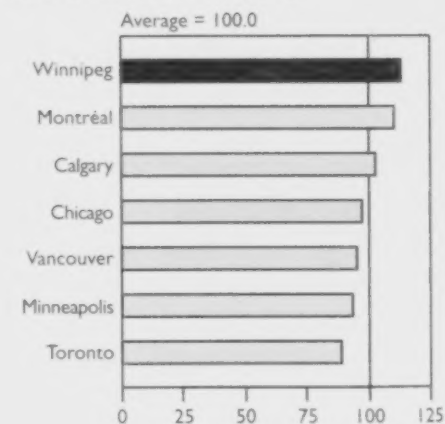
Internal Rates of Return Larger Manufacturing Firm



Internal Rates of Return Small Manufacturing Firm in Cities over 500,000



Internal Rates of Return Larger Manufacturing Firm in Cities over 500,000



Brandon has the second-highest rate of return among all cities for both the small and larger manufacturing firms. Among cities with populations over 500,000, Winnipeg has the highest internal rate of return for both small and larger manufacturing firms.

■ Conclusion

The above results are comparable to those shown in previous budgets. Manitoba continues to maintain a highly competitive cost and taxation environment for both small and larger firms engaged in manufacturing and processing. Significant changes in the outcomes for other cities in the model are in part explained by the rapid and prolonged appreciation in the Canadian dollar relative to the U.S., and increases in land costs for selected Canadian cities. Overall, U.S. cities, particularly Fargo, improved their relative position while larger Canadian centres lost some ground.

Appendix 2:

2005 INTERPROVINCIAL COMPARISON OF ANNUAL PERSONAL COSTS AND TAXES

Since 1999, Manitoba's overall provincial rankings for personal costs and taxes have been among the best in Canada.

For 2005, Manitoba's performance continues to be strong. Manitoba again has the lowest total costs for two of the six representative families, and ranks third-lowest for the other four.

The following charts show that Manitoba remains one of the most affordable provinces in which to live, with among the lowest costs for child care, gasoline tax, automobile insurance, electricity and housing costs.

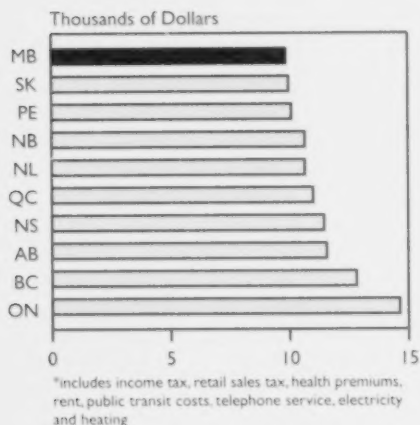
The combination of modest taxation levels and low living costs* means Manitobans enjoy a high standard of living. This makes Manitoba a more competitive and attractive location for both new and expanding businesses.

A superior quality of living with lower personal costs and taxes – that is The Manitoba Advantage.

* includes rent or mortgage costs, property taxes, public transit costs or auto insurance, child care, telephone service, electricity and heating costs

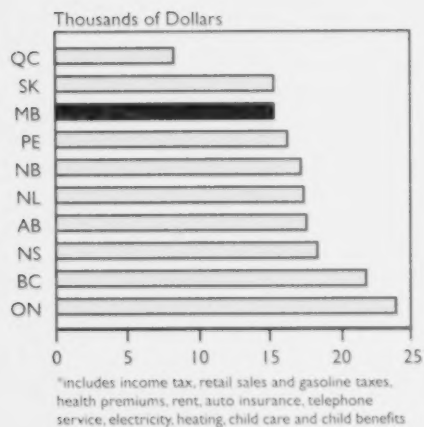
Annual Personal Costs and Taxes Single Person Earning \$30,000*

- lowest combined taxes and living costs in the country
- fourth-lowest provincial levies



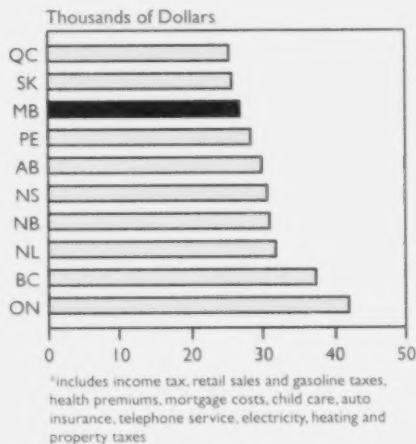
Annual Personal Costs and Taxes Single Parent Earning \$30,000*

- third-lowest combined taxes and living costs in the country
- fourth-lowest provincial levies



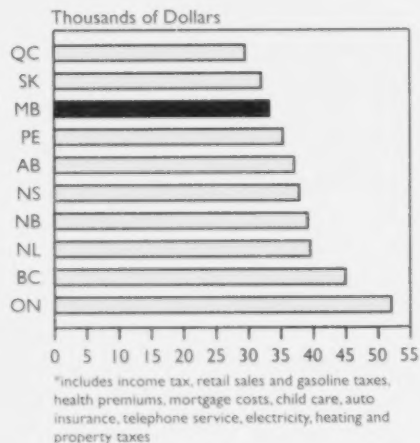
Annual Personal Costs and Taxes Two-Earner Family of Four Earning \$60,000*

- third-lowest combined taxes and living costs in the country
- fifth-lowest provincial levies



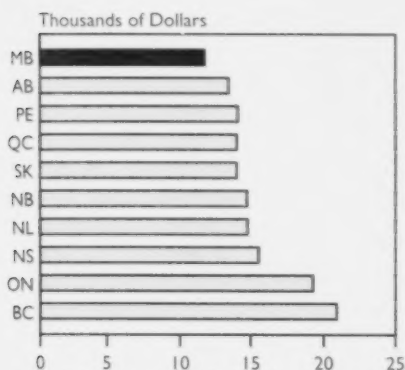
Annual Personal Costs and Taxes Two-Earner Family of Five Earning \$75,000*

- third-lowest combined taxes and living costs in the country
- fifth-lowest provincial levies



Annual Personal Costs and Taxes Single-Earner Family of Four Earning \$40,000*

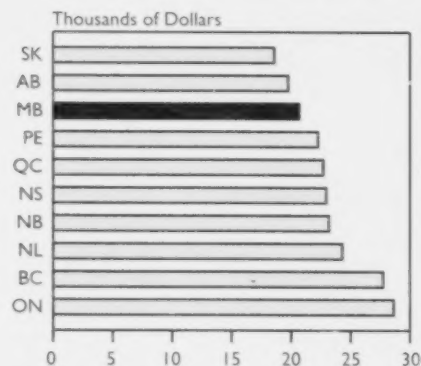
- lowest combined taxes and living costs in the country
- third-lowest provincial levies



*includes income tax, retail sales and gasoline taxes, health premiums, child benefits, mortgage costs, auto insurance, telephone service, electricity, heating and property taxes

Annual Personal Costs and Taxes Single-Earner Family of Four Earning \$60,000*

- third-lowest combined taxes and living costs in the country
- sixth-lowest provincial levies



*includes income tax, retail sales and gasoline taxes, health premiums, mortgage costs, auto insurance, telephone service, electricity, heating and property taxes

2005 Comparison of Annual Personal Costs and Taxes

Single Person: \$30,000

	BC	AB	SK	MB	ON
Provincial Income Tax	1,100	1,358	2,114	1,831	1,154
Health Premiums	648	528	0	0	300
PIT and Premiums	1,748	1,886	2,114	1,831	1,454
Retail Sales Tax	338	0	377	378	442
Provincial Levies	2,086	1,886	2,491	2,209	1,896
Rent	9,288	7,860	6,036	6,228	10,632
Electricity	316	658	563	331	580
Public Transit	828	840	630	832	1,185
Telephone	329	285	264	300	271
Living Costs	10,761	9,643	7,493	7,691	12,669
Total	12,847	11,529	9,984	9,900	14,565

Single Parent One Child: \$30,000

	BC	AB	SK	MB	ON
Provincial Income Tax	200	0	605	304	(335)
Health Premiums	922	0	0	0	180
PIT and Premiums	1,121	0	605	304	(155)
Child Benefits	(324)	(300)	0	0	(1,070)
Retail Sales Tax	439	0	490	491	575
Gasoline Tax	410	180	300	230	294
Provincial Levies	1,646	(120)	1,395	1,025	(357)
Rent	11,808	9,672	7,224	7,968	12,624
Child Care	6,166	5,650	4,844	4,579	8,298
Electricity	407	804	691	416	723
Auto Insurance	1,415	1,327	864	1,013	2,182
Telephone	329	285	264	300	271
Living Costs	20,125	17,738	13,888	14,275	24,098
Total	21,771	17,618	15,283	15,300	23,741

Sums may not add due to rounding.

QC	NB	NS	PE	NL	Single Person: \$30,000
2,060	1,957	1,860	2,028	2,210	Provincial Income Tax
494	0	0	0	0	Health Premiums
<u>2,554</u>	<u>1,957</u>	<u>1,860</u>	<u>2,028</u>	<u>2,210</u>	<u>PIT and Premiums</u>
546	708	692	614	739	Retail Sales Tax
<u>3,099</u>	<u>2,665</u>	<u>2,552</u>	<u>2,642</u>	<u>2,949</u>	<u>Provincial Levies</u>
6,468	6,504	7,344	5,868	6,252	Rent
371	556	517	709	548	Electricity
732	672	720	600	696	Public Transit
271	264	300	293	263	Telephone
<u>7,842</u>	<u>7,996</u>	<u>8,881</u>	<u>7,471</u>	<u>7,759</u>	<u>Living Costs</u>
<u>10,942</u>	<u>10,661</u>	<u>11,433</u>	<u>10,113</u>	<u>10,708</u>	Total

QC	NB	NS	PE	NL	Single Parent One Child: \$30,000
(1,018)	388	717	940	970	Provincial Income Tax
494	0	0	0	0	Health Premiums
<u>(524)</u>	<u>388</u>	<u>717</u>	<u>940</u>	<u>970</u>	<u>PIT and Premiums</u>
(2,700)	(243)	0	0	0	Child Benefits
709	920	900	799	961	Retail Sales Tax
334	290	310	340	330	Gasoline Tax
<u>(2,180)</u>	<u>1,355</u>	<u>1,926</u>	<u>2,078</u>	<u>2,261</u>	<u>Provincial Levies</u>
7,128	7,884	8,964	7,320	7,416	Rent
1,820	5,962	5,280	4,810	5,460	Child Care
445	675	647	861	667	Electricity
920	1,066	1,158	828	1,343	Auto Insurance
271	264	300	293	263	Telephone
<u>10,585</u>	<u>15,851</u>	<u>16,349</u>	<u>14,113</u>	<u>15,150</u>	<u>Living Costs</u>
<u>8,404</u>	<u>17,206</u>	<u>18,275</u>	<u>16,191</u>	<u>17,411</u>	Total

2005 Comparison of Annual Personal Costs and Taxes

One-Earner Family of 4: \$40,000

	BC	AB	SK	MB	ON
Provincial Income Tax	1,505	839	1,756	2,155	1,237
Health Premiums	1,296	1,056	0	0	450
PIT and Premiums	2,801	1,895	1,756	2,155	1,687
Child Benefits	0	(400)	0	0	0
Property Tax Credits	(470)	0	0	(400)	(42)
Retail Sales Tax	782	0	1,012	963	1,172
Gasoline Tax	410	180	300	230	294
Provincial Levies	3,523	1,675	3,068	2,948	3,111
Mortgage Costs	11,838	6,439	4,643	3,510	9,132
Property Taxes	1,996	1,747	3,338	2,379	2,306
Home Heating	1,026	767	883	968	1,176
Electricity	588	1,095	949	584	1,007
Auto Insurance	1,697	1,499	910	1,038	2,241
Telephone	329	285	264	300	271
Living Costs	17,474	11,833	10,987	8,780	16,133
Total	20,997	13,508	14,054	11,727	19,244

One-Earner Family of 4: \$60,000

	BC	AB	SK	MB	ON
Provincial Income Tax	3,332	2,833	4,350	5,179	3,360
Health Premiums	1,296	1,056	0	0	600
PIT and Premiums	4,628	3,889	4,350	5,179	3,960
Child Benefits	0	0	0	0	0
Property Tax Credits	(470)	0	0	(400)	0
Retail Sales Tax	1,004	0	1,295	1,333	1,564
Gasoline Tax	410	180	300	230	294
Provincial Levies	5,572	4,069	5,945	6,342	5,818
Mortgage Costs	15,234	8,932	5,310	6,539	13,831
Property Taxes	2,569	2,424	3,817	4,431	3,493
Home Heating	1,475	1,192	1,262	1,276	1,696
Electricity	770	1,387	1,207	753	1,291
Auto Insurance	1,697	1,499	910	1,038	2,241
Telephone	329	285	264	300	271
Living Costs	22,073	15,718	12,770	14,336	22,823
Total	27,645	19,788	18,715	20,677	28,642

Sums may not add due to rounding.

					One-Earner Family of 4: \$40,000
QC	NB	NS	PE	NL	
978	2,585	2,756	2,695	3,115	Provincial Income Tax
920	0	0	0	0	Health Premiums
1,898	2,585	2,756	2,695	3,115	PIT and Premiums
(3,000)	0	0	0	0	Child Benefits
(187)	0	0	0	0	Property Tax Credits
1,397	1,755	1,742	1,383	1,957	Retail Sales Tax
334	290	310	340	330	Gasoline Tax
442	4,630	4,808	4,418	5,402	Provincial Levies
7,048	4,405	5,274	3,926	3,808	Mortgage Costs
3,008	1,968	1,568	1,690	1,512	Property Taxes
1,277	1,362	1,429	1,334	1,423	Home Heating
594	912	905	1,165	907	Electricity
1,386	1,131	1,238	979	1,410	Auto Insurance
271	264	300	293	263	Telephone
13,583	10,042	10,714	9,388	9,323	Living Costs
14,026	14,672	15,523	13,806	14,726	Total

					One-Earner Family of 4: \$60,000
QC	NB	NS	PE	NL	
5,000	5,544	5,756	5,475	6,357	Provincial Income Tax
920	0	0	0	0	Health Premiums
5,920	5,544	5,756	5,475	6,357	PIT and Premiums
(2,312)	0	0	0	0	Child Benefits
0	0	0	0	0	Property Tax Credits
1,958	2,533	2,260	1,937	2,557	Retail Sales Tax
334	290	310	340	330	Gasoline Tax
5,900	8,367	8,326	7,752	9,244	Provincial Levies
8,834	7,332	7,146	6,871	7,460	Mortgage Costs
3,681	2,736	2,544	2,958	2,693	Property Taxes
1,915	2,043	2,144	2,001	2,134	Home Heating
742	1,149	1,163	1,469	1,146	Electricity
1,386	1,131	1,238	979	1,410	Auto Insurance
271	264	300	293	263	Telephone
16,829	14,655	14,534	14,571	15,107	Living Costs
22,729	23,022	22,860	22,323	24,350	Total

2005 Comparison of Annual Personal Costs and Taxes

Two-Earner Family of 4: \$60,000	BC	AB	SK	MB	ON
Provincial Income Tax	1,604	1,917	2,954	3,356	1,374
Health Premiums	1,296	1,056	0	0	300
PIT and Premiums	<u>2,900</u>	<u>2,973</u>	<u>2,954</u>	<u>3,356</u>	<u>1,674</u>
Child Benefits	0	0	0	0	0
Property Tax Credits	(470)	0	0	(400)	(65)
Retail Sales Tax	1,004	0	1,295	1,333	1,564
Gasoline Tax	615	270	450	345	441
Provincial Levies	<u>4,049</u>	<u>3,243</u>	<u>4,699</u>	<u>4,634</u>	<u>3,614</u>
Mortgage Costs	15,234	8,932	5,310	6,539	13,831
Property Taxes	2,569	2,424	3,817	4,431	3,493
Child Care	9,919	9,705	7,296	6,938	13,323
Home Heating	1,475	1,192	1,262	1,276	1,696
Electricity	770	1,387	1,207	753	1,291
Auto Insurance	3,112	2,826	1,774	2,051	4,423
Telephone	329	285	264	300	271
Living Costs	<u>33,407</u>	<u>26,750</u>	<u>20,930</u>	<u>22,287</u>	<u>38,328</u>
Total	<u>37,456</u>	<u>29,993</u>	<u>25,629</u>	<u>26,921</u>	<u>41,942</u>

Two-Earner Family of 5: \$75,000	BC	AB	SK	MB	ON
Provincial Income Tax	2,409	2,786	3,846	4,484	2,353
Health Premiums	1,296	1,056	0	0	450
PIT and Premiums	<u>3,705</u>	<u>3,842</u>	<u>3,846</u>	<u>4,484</u>	<u>2,803</u>
Child Benefits	0	0	0	0	0
Property Tax Credits	(470)	0	0	(400)	0
Retail Sales Tax	1,254	0	1,858	1,779	1,854
Gasoline Tax	615	270	450	345	441
Provincial Levies	<u>5,104</u>	<u>4,112</u>	<u>6,154</u>	<u>6,207</u>	<u>5,098</u>
Mortgage Costs	15,234	8,932	5,310	6,539	13,831
Property Taxes	2,569	2,424	3,817	4,431	3,493
Child Care	16,439	15,701	12,326	11,618	21,621
Home Heating	1,475	1,192	1,262	1,276	1,696
Electricity	770	1,387	1,207	753	1,291
Auto Insurance	3,112	2,826	1,774	2,051	4,423
Telephone	329	285	264	300	271
Living Costs	<u>39,927</u>	<u>32,746</u>	<u>25,960</u>	<u>26,967</u>	<u>46,626</u>
Total	<u>45,031</u>	<u>36,858</u>	<u>32,114</u>	<u>33,174</u>	<u>51,724</u>

Sums may not add due to rounding.

					Two-Earner Family of 4: \$60,000
QC	NB	NS	PE	NL	
3,387	3,183	3,292	3,591	3,860	Provincial Income Tax
920	0	0	0	0	Health Premiums
4,307	3,183	3,292	3,591	3,860	PIT and Premiums
(2,432)	0	0	0	0	Child Benefits
0	0	0	0	0	Property Tax Credits
1,958	2,533	2,260	1,937	2,557	Retail Sales Tax
501	435	465	510	495	Gasoline Tax
4,334	6,151	6,017	6,038	6,912	Provincial Levies
8,834	7,332	7,146	6,871	7,460	Mortgage Costs
3,681	2,736	2,544	2,958	2,693	Property Taxes
3,437	9,283	8,790	6,878	8,260	Child Care
1,915	2,043	2,144	2,001	2,134	Home Heating
742	1,149	1,163	1,469	1,146	Electricity
2,306	2,197	2,396	1,807	2,753	Auto Insurance
271	264	300	293	263	Telephone
21,186	25,004	24,482	22,277	24,710	Living Costs
25,520	31,155	30,499	28,316	31,621	Total

					Two-Earner Family of 5: \$75,000
QC	NB	NS	PE	NL	
5,171	4,449	4,637	4,879	5,295	Provincial Income Tax
920	0	0	0	0	Health Premiums
6,091	4,449	4,637	4,879	5,295	PIT and Premiums
(2,912)	0	0	0	0	Child Benefits
0	0	0	0	0	Property Tax Credits
2,695	3,102	2,916	2,728	3,465	Retail Sales Tax
501	435	465	510	495	Gasoline Tax
6,375	7,986	8,018	8,116	9,254	Provincial Levies
8,834	7,332	7,146	6,871	7,460	Mortgage Costs
3,681	2,736	2,544	2,958	2,693	Property Taxes
5,257	15,263	14,070	11,688	13,720	Child Care
1,915	2,043	2,144	2,001	2,134	Home Heating
742	1,149	1,163	1,469	1,146	Electricity
2,306	2,197	2,396	1,807	2,753	Auto Insurance
271	264	300	293	263	Telephone
23,006	30,984	29,762	27,087	30,170	Living Costs
29,381	38,970	37,780	35,204	39,424	Total

NOTES

Taxes¹, charges and living costs are based on information available on February 1, 2005, for the following major urban centres in each province: Vancouver, Calgary, Regina, Winnipeg, Toronto, Montréal, Fredericton, Halifax, Charlottetown and St. John's.

Provincial Income Tax is calculated for a single renter with \$30,000 earned income, a single parent with one child who rents and has \$30,000 in earned income, and three homeowners with \$40,000, \$60,000 and \$75,000 of earned income, respectively. Families include either one income earner, a spouse and two dependent children (ages 3 and 7), two income earners and two dependent children (ages 3 and 7), or two income earners and three dependent children (ages 3, 5 and 7). For two-earner families, one spouse is assumed to earn 60% of the family income, while the other spouse earns 40%. Personal non-refundable credits used include the CPP/QPP and EI contribution credits. For the single parent, child-care costs unique to each province have been deducted from income. For two-earner families, child-care costs have been deducted from the income of the spouse with the lower income. Gross Quebec personal income tax has been reduced by the 16.5% abatement from federal income tax. Refundable sales tax credits and provincial tax reductions and rebates have been deducted from income tax payable. Rental credits are included in income tax, but property tax credits are shown separately.

Child Benefits represent provincial programs comparable to the Canada Child Tax Benefit and earned income supplements.

Retail Sales Tax is based on an average expenditure basket at the selected gross income levels from the *2000 Survey of Household Expenditures* (Statistics Canada), inflated to 2005 values and adjusted for family size.

Gasoline Tax is based on annual consumption of 2,000 litres for single-vehicle families and 3,000 litres for the two-earner family at \$60,000 and \$75,000. This includes the 6.0 cents per litre transit levy imposed in Vancouver and the 1.5 cents per litre levy imposed in Montréal.

Health Premiums are annual premiums for hospital insurance and medical services in provinces which levy them. They include Quebec's Prescription Drug Plan and the Ontario Health Premium.

Mortgage Costs are based on one-half the average home prices for a standard townhouse for families with \$40,000 of income, or a standard two-storey for families with \$60,000 and \$75,000 of income, per the *Royal LePage Survey of Canadian House Prices, Fourth Quarter 2004*, for a 25-year term, amortized at a five-year interest rate of 6.04%. For New Brunswick and Prince Edward Island, the average home prices are for Saint John's (Rothesay) and Summerside, respectively.

Property Taxes are based on the assessed values for a standard townhouse for families with \$40,000 of income, or a standard two-storey for families with \$60,000 and \$75,000 of income, per the *Royal LePage Survey of Canadian House Prices, Fourth Quarter 2004*. Mill rates and other elements used in the calculation of the property taxes were obtained from officials in each of the major urban centres in the provinces.

¹ Vancouver totals have been updated to reflect changes announced in the 2005 British Columbia Budget.

Rent is from *Canada Mortgage and Housing Corporation's Rental Market Survey, October 2004*, and is based on the average one-bedroom apartment rents for each urban centre for the single person, and the average two-bedroom apartment rents for the single-parent family.

Child Care is based on average fees for full-time preschool care for the three-year old and the five-year old, before and after school care for the seven-year old, and six weeks of summer day camp for the seven-year old. Quebec figures are based on \$7 per day for care. Average fees were based on *Early Childhood Care and Education in Canada: Provinces and Territories*, and were updated by a telephone and Internet survey of different cities.

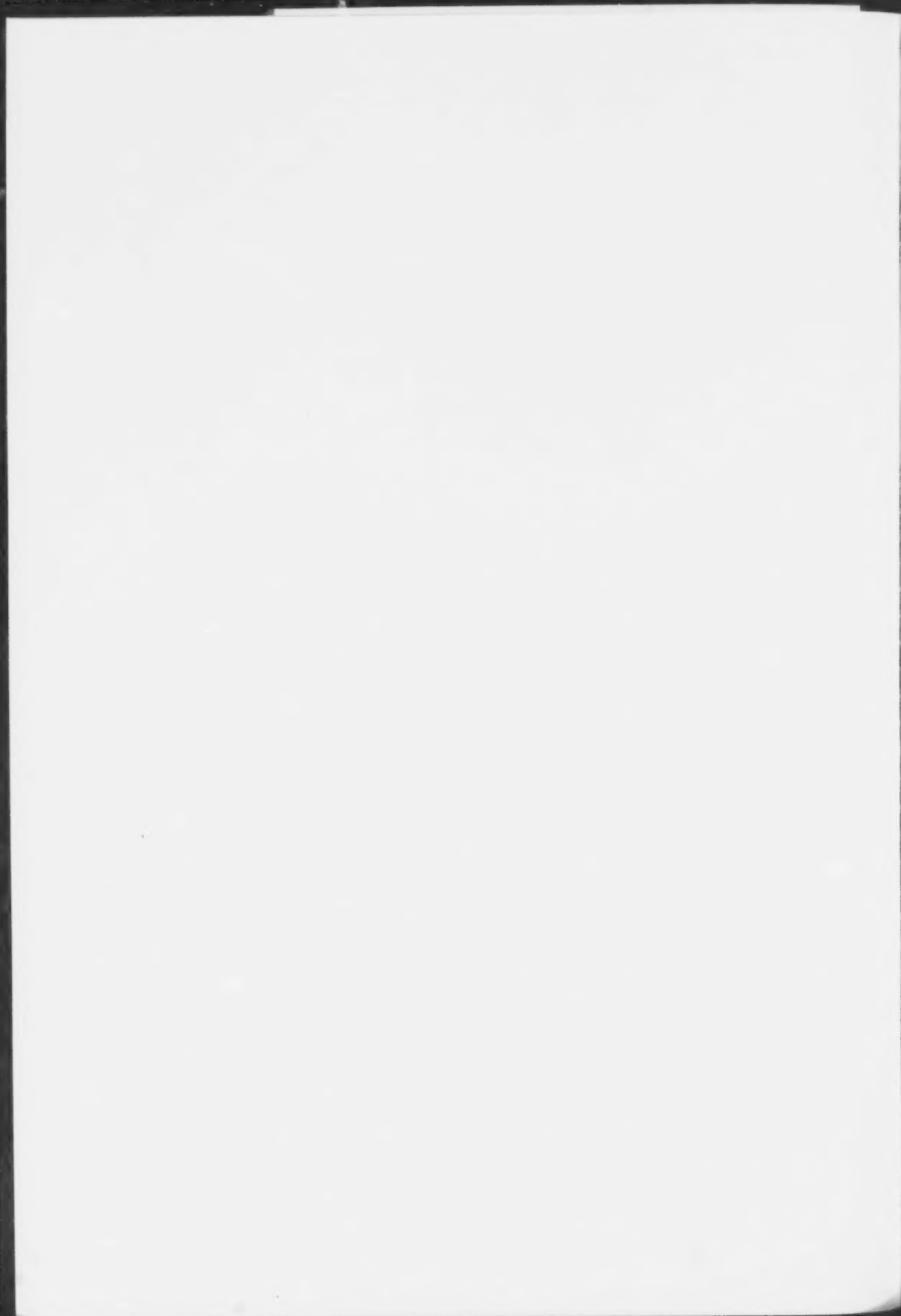
Auto Insurance for two-parent families is based on a 2002 Chevrolet Impala. Coverage includes \$1 million third-party liability, and \$200 all-perils deductible in British Columbia, Saskatchewan and Manitoba; \$250 all-perils deductible in Alberta, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador; \$300 all-perils deductible in Ontario. The driver is married, age 35, has been accident-free for seven or more years; the auto is driven to work (15 km, one way). The two-earner families with \$60,000 and \$75,000 of income also insure a 1999 Chevrolet Cavalier, with identical coverage and driver risk rating as the Impala. Auto insurance for the single-parent family is based on the 1999 Chevrolet Cavalier. Rates for British Columbia, Saskatchewan and Manitoba supplied by Manitoba Public Insurance; rates in other urban centres are the average of between eight and 12 of the larger private insurers available in those provinces.

Transit Fares are based on adult (single zone) monthly pass rates in effect in February 2005. The Charlottetown fare is based on adult tickets for 240 working days.

Home Heating charges are based on annual consumption of 2,300 cubic metres of natural gas for the standard townhouse, or 3,450 cubic metres of natural gas for the standard two-storey. For the Atlantic provinces, the figures represent the BTU equivalent consumption of fuel oil. In Alberta, the Natural Gas Rebate Program has been estimated for five months.

Electricity charges are based on annual consumption of 9,000 kilowatt hours for the two-parent family at \$40,000, and 12,000 kilowatt hours for the two-parent family at \$60,000 and \$75,000 of income; 6,000 kilowatt hours for the single-parent family; and 4,500 kilowatt hours of usage for the tenant. Rates do not include municipal taxes or charges, and are based on residential rates in effect from April 2004. Manitoba Hydro has applied for a rate increase effective April 2005. While this rate increase has not been approved, it has been included in these tables.

Telephone charges are the basic service rates for individual residences.





Budget Paper F

**ADDRESSING POVERTY
IN MANITOBA**

ADDRESSING POVERTY IN MANITOBA

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CREATING A COMMUNITY WHERE ALL CAN WORK¹

Finding the right mix of policy options to ensure that all members of society who are able to, have the opportunity to participate in the work force is a key challenge facing governments across Canada. In Manitoba, the challenge is complicated by several factors.

■ Overview of Issues

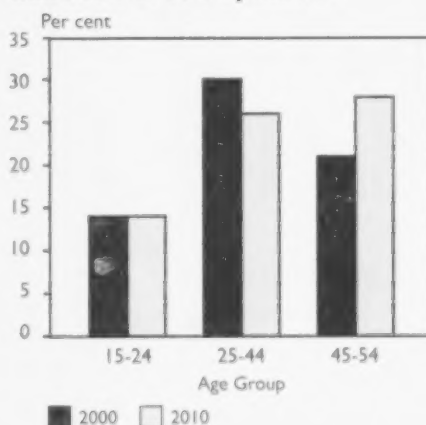
Manitoba's diverse and stable economy has led to one of the lowest unemployment rates in Canada. However, the low unemployment rate does not reflect a number of issues.

Manitoba's workforce is aging (Figure 1). Between 1996 and 2002, the number of people aged 55 and older grew by 6.4%, while the number of people aged 15 to 54 grew by only 1.5%. While the number of persons aged 15 to 64 will increase by 5% over the next ten years, the older cohort of 65 plus years will have an even stronger growth rate of 6%.

Within the 15 to 64 year age group, where most labour force participants lie, the older age groups will have the largest increases. Those aged 45 to 64 will increase by over 66,000 persons. Meanwhile, those in the 25 to 44 age group will decline by some 32,000 persons. The number of young persons aged 15 to 24 will increase by only 5,000 in this period.

Aboriginal persons represented 13% of Manitoba's population in 2001. As this segment of the population is younger than the non-Aboriginal population, it is likely to contribute an increasing proportion of the province's population and labour force growth over the next few decades (Figure 2). Between 2000 and 2010, the proportion of Aboriginal individuals in the youth population will

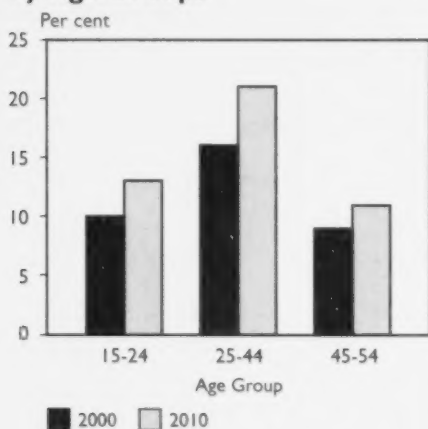
Figure 1
Labour Force Population



Source: Manitoba Education and Training

¹ Reprinted with permission. Previously published as "Welfare to Work: Creating a Community Where all Can Work," Canadian Journal of Career Development 3, #2 2004, p. 3 (the lead article in a special issue entitled Welfare to Work). Honourable Greg Selinger is Manitoba Finance Minister. Gord Greasley is a Manitoba Government official formerly in the Department of Finance.

Figure 2
Aboriginal Population
by Age Groups



Source: Manitoba Education and Training

increase from 10% to 13%. Similar increases will occur with 25 to 44 year olds and 45 to 64 year olds. The inclusion of Aboriginal Manitobans in the labour force is crucial to Manitoba's continuing prosperity.

However, Aboriginal Manitobans face significant barriers to participating in the work force. Aboriginal educational achievement trails achievement in the population as a whole, economic opportunities on reserve are limited and rates of Fetal Alcohol Syndrome and Fetal Alcohol Effects are higher than rates in the provincial population as a whole.

In response to these challenges, an Aboriginal Issues Committee of Cabinet has been established. Chaired by the Premier, the committee will build on new partnerships that have been struck with Aboriginal communities in priority areas such as justice, hydroelectric development, education and training, and services for children.

The low unemployment rate and aging workforce have highlighted skills shortages that need to be addressed.

While Manitoba's cost of living is relatively low, wages in many sectors of the economy are also low, resulting in many families living with low incomes. For example,

- 12% of two-adult families with children fall below the before-tax Low Income Cut-Off (LICO-IBT), the second-highest rate in Canada;
- 52% of lone-parent families fall below the LICO-IBT, the second-highest rate in Canada; and
- 22% of children live in families that fall below the LICO-IBT, the second-highest rate in Canada (Human Resources Development Canada, 2003).

There is some concern that the use of LICO-IBT results in higher rates of low income in Manitoba than is actually the case. The limitations of LICO-IBT are well known (Gilbreath, 1997; Wolfson and Evans, 1989). Furthermore, internal Finance Department work suggests that before-tax LICOs may not be an appropriate measure for interprovincial comparisons, because they do not reflect differences in costs of living, dramatically different provincial tax systems, or differences in age.

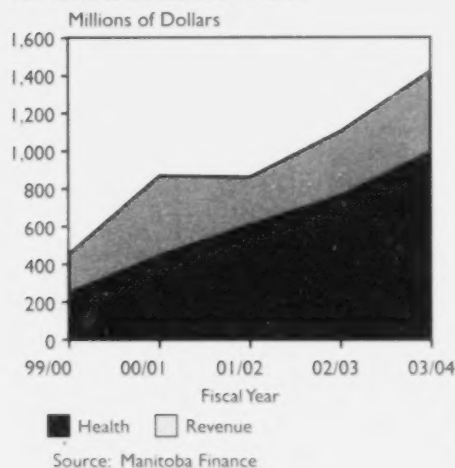
For example, when lower tax rates, enhanced provincial tax credits, and federal and provincial benefit programs are included, a senior couple in Manitoba with \$40,000 in income has more disposable income than a two-earner non-senior family of four with \$60,000 in income. Before-tax LICOs do not reflect the increased fiscal capacity of seniors as compared to non-seniors with the same income.

Recent federal-provincial work on Market Basket Measures (Human Resources Development Canada, 2003) may provide a further tool for assessing the breadth and depth of low income in Manitoba.

The Fiscal Context

The provincial government's capacity to act is constrained by fiscal circumstances. Weakness in the American economy, the beef crisis and drought have dampened economic growth and put pressure on the Budget. There is little public support for deficit financing. In fact, Manitoba's Balanced Budget legislation is the most restrictive in the country. It requires a balanced budget every year, mandates annual debt reduction payments and requires approval by referendum of increases to the rates of the major tax bases.

Figure 3
Change in Health Spending
vs. Growth in Revenue



While recent political events seem to indicate that the era of dramatic tax reductions has run its course, health care spending continues to consume a large share of increasing revenues. Since 1999, increases to the health budget have taken up over three-quarters of new revenue (Figure 3).

While economic circumstances have tightened Manitoba's fiscal situation in 2003/04, beyond 2003/04 Provincial Government revenue is projected to increase at an average annual rate of 3.0% over the medium term, a rate that reflects solid economic growth, an ongoing commitment to tax relief and further progress in addressing fiscal imbalance in the Canadian Federation.

Program expenditure is targeted to increase at an average annual rate of 2.0% after 2003/04 – a rate that would effectively sustain key public services and provide for modest improvements in areas of greatest priority, such as health care reform. It would also give the Province some latitude in making key public investments and replenishing the Fiscal Stabilization Fund.

In addition to the general purpose debt, Manitoba has an unfunded pension liability of \$3.4 billion. In 2000, the Government took steps to eliminate this liability over 35 years by making regular payments against it. As well, pension costs of newly hired employees have been fully funded since 2000. Since 2000, Manitoba has paid \$396 million to reduce its debt and pension liability. While these payments have resulted in interest savings, and will provide greater fiscal flexibility in the future, they currently constrain program spending.

Within this framework, a small draw on the Fiscal Stabilization Fund in 2004/05 will complete the adjustment to the lower revenue track resulting from a federal accounting error, which cost the Province \$168 million in 2001/02 and a further \$91 million over 10 years. Future fiscal stability will depend in part on improvements to federal equalization and health transfer payments.

■ Policy Response – Putting the Right Programs Into Place

When the New Democratic Party took power in 1999, it decided to reject the existing philosophy that tax cuts and workfare programs alone would reduce the number of people on employment assistance. Instead, the new Government believed that educational opportunity, accessible child care, fair income support programs, maintenance enforcement and other initiatives would provide an effective springboard to employment and greater independence.

Setting the stage – getting the fundamentals right

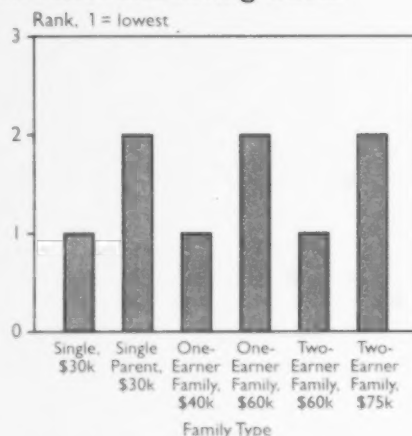
The first step in creating a community where all can work is to get the economic fundamentals right. Simply put, if people are expected to move from welfare to work, there has to be jobs for them to move to.

The Government adopted an approach that was balanced, responsible and put the needs of Manitoba families first. It undertook to put the Province's financing on a sustainable footing, by implementing a debt reduction plan, introducing responsible and sustainable tax reductions, and making investments in both physical and social infrastructure.

The Government's goal has been to maintain Manitoba as an affordable place to live, work and invest. Each year Manitoba Finance compares interprovincial taxes and living costs, and Manitoba consistently ranks as one of the two most affordable provinces to live in, across all income and family types (Figure 4).

Manitoba Finance also has a model that evaluates Manitoba's tax structure and cost environment for manufacturing firms. Again, Manitoba consistently ranks as one of the most affordable places in North America to do business.

Figure 4
Manitoba Interprovincial Rank
on Taxes and Living Costs



Source: Manitoba Finance

The success of this approach is shown by the fact that Manitoba has had continuous growth in private sector investment. By 2002, private sector investment in Manitoba was at a record high – 12% higher than in 1999.

While the Government is focused on creating an environment where the private sector can create jobs, direct intervention is also used where necessary. Some of the direct interventions to encourage economic growth include:

- Manitoba Hydro is currently looking at building a new power plant in Northern Manitoba. The spin-off benefits will create new economic opportunities, and will provide much-needed training and job opportunities for northern residents;
- Targeted tax incentives, such as the Equity Tax Credit, the Labour-Sponsored Venture Capital Tax Credit, and the Community Enterprise Development Tax Credit have been used to leverage further private investment, often from individuals who have not previously made equity investments;
- Direct loans through the Manitoba Industrial Opportunities Program and training grants have been provided to major Manitoba manufacturers, to assist them to retool their plants and expand their operations in Manitoba; and
- Direct government investment in necessary infrastructure such as roads, health facilities and education facilities has been increased.

Training and education is the key to realizing opportunities

Getting the economic fundamentals right has created employment opportunities, and the Manitoba unemployment rate is correspondingly low. However, there is still a mismatch between available jobs and the skills of unemployed workers and people on income assistance.

In particular, people need the skills to access the jobs that are available.

There is a need to focus on specific groups such as aboriginal people, Northerners and rural Manitobans. Finally, training and services need to be delivered where those people live.

The Government has undertaken several initiatives to increase education and training opportunities, especially for groups which have traditionally been disadvantaged.

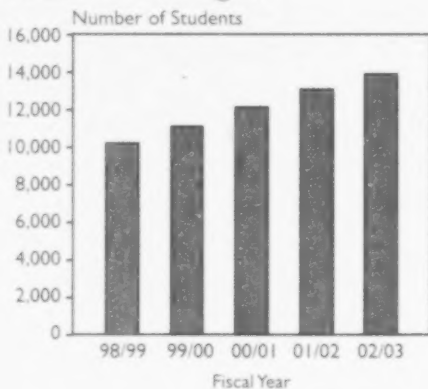
The College Expansion Initiative was created to remedy the chronic underdevelopment of Manitoba's four public colleges that has placed them near the bottom of interprovincial training comparisons. CEI is intended to be a catalyst for the growth and evolution of Manitoba's college system. It is an economic priority of Government and is intended to double community college enrollment over 4 years (Figure 5).

To date CEI has funded approximately 50 programs, in areas such as nursing, aerospace manufacturing, civil technology, and early childhood education.

The Government instituted a program of Industrial Training Partnerships, working with industry associations to develop sectoral approaches to human resources solutions. The sectoral approach provides opportunities for joint ventures between companies and education/training providers.

These partnerships work best in sectors that have an umbrella association representing a significant number of companies that:

Figure 5
Enrollment in
Manitoba Colleges



Source: Council on Post-Secondary Education

- demonstrate a long-term commitment to strategic human resource planning;
- provide employees with portable skills; and
- are willing to share in the cost of training.

By bringing together companies, education/training providers and other labour market partners, the sectoral approach provides opportunities not readily available to individual companies.

Through the Canada-Manitoba Labour Market Development Agreement, Manitobans get assistance to prepare for, gain and maintain sustainable employment through direct service and partnerships with community, industry and employer groups. A continuum of education, training and employment programs are provided through the Employment and Training Services Branch, including:

- employment benefits
 - employment partnerships designed to create meaningful work experience opportunities for eligible individuals or to provide short-term work experience to enable the acquisition of skills needed by the local community. Participants may receive pre-employment preparation, skills enhancement, work experience, a job placement and/or job maintenance or support services.
 - skills development – designed to encourage individuals to acquire skills through education and training for purposes of ending dependence on EI benefits and entering employment.
 - sponsorship and coaching of self-employment initiatives.
 - wage subsidies – designed to help workers, who are at risk of long-term unemployment, lack experience or face other barriers to employment, to find a job and gain work experience.

- employment measures
 - employment assistance services – under this measure, third-party partners such as community-based organizations are contracted to help unemployed and job-threatened individuals to prepare for, find, obtain or maintain employment that meets the needs of the community.
 - labour market partnerships Manitoba will form partnerships with employer and employee groups, associations and other delivery agents to facilitate activities to assist the unemployed to return to work or those threatened with job loss to find other employment.

The Access Program provides funding to post-secondary education institutions for specialized programs for individuals who traditionally have faced barriers to post-secondary education.

Examples of Access Programs include:

- the Brandon University Northern Teacher Education Program (BUNTEP), an off-campus Bachelor of Education degree program serving the North;
- University of Manitoba Access North and South, which provides access to educational opportunities on-campus for northern and rural residents;
- The Special Pre-Medical Studies Program, a 2- to 4-year program preparing Aboriginal students for entrance into medical and dental schools or other health-related faculties;
- The Northern Bachelor of Social Work Program, a 4-year Bachelor of Social Work program in Thompson run by the University of Manitoba;
- An off-campus Bachelor of Social Work Program training social workers for Winnipeg's inner city;
- The Engineering Access Program provides a 4-year Bachelor of Engineering degree for Manitoba Aboriginal students;

- The Winnipeg Education Centre runs an off-campus Bachelor of Education program and an off-campus Bachelor of Social Work Program training teachers and social workers for Winnipeg's inner city; and
- The Northern Nursing Program and the Southern Nursing Program, which provide training to obtain a nursing degree.

The Government supports the Urban Circle Training Centre, which provides a holistic approach to training and employment opportunities for Aboriginal people in the fields of health care, academic upgrading and computers. All programs include life skills, cultural awareness of work experience components.

Manitoba has also signed employment and training agreements with First Nations to provide skills training closer to where First Nations peoples live.

The Government is establishing a University College of the North, to improve post-secondary education opportunities for Northerners.

In 2003, the Cooperative Education Tax Credit was introduced, to give employers an incentive to hire and train students in a recognized coop education program.

Lending a hand – welfare to work

Even when the economic fundamentals are right and the education and training programs are in place, the Government needs to go further and work directly with people on income assistance, as well as low income families, to ease the transition into permanent, meaningful work.

■ Ending ineffective initiatives

The first step was to stop doing what was not working. To this end, the previous practice of taking a punitive approach to people on income assistance, in the hopes of driving them off the assistance rolls out of desperation, was ended.

The new Government also ended the experiment with workfare. It has been Government policy all along that people who are able to work should do so and be expected to do so. However, the new Government focused on effective employment training and lowering the barriers that people encounter when trying to take advantage of opportunities for permanent long-term work, such as services for people with addictions and inflexible child care services.

The welfare fraud line was terminated. The fraud line was a phone number that people could call to report suspected cases of welfare abuse. Accompanied by large billboards in certain areas of the Province, the fraud line encouraged people to inform on their neighbours, and mostly served as a forum for escalating disputes between neighbours.

Income assistance remains an important part of the social safety net. Effective January 2004, general income assistance rates for individuals were increased by 4.5%, and by an equivalent amount for persons with disabilities. This will help pay for the costs of a phone to help in job searches, providing greater flexibility and dignity for citizens on assistance.

The income assistance regulations were changed to allow persons with disabilities to establish trust funds that can be used to improve their quality of life without reducing their benefits.

The Government ended the clawback of the National Child Benefit Supplement from families on social assistance, for all children up to the age of majority. Most recipients felt that the clawback

was unfair and punitive. The Government ended the clawback as a matter of principle, and because there was no evidence to support the theory that clawing back the NCBS improved labour force participation (Centre for the Study of Living Standards, 2002).

■ Getting the policy mix right

The second step was to get the policy mix right, to encourage people to move from welfare to work.

First, the minimum wage has been steadily increased, from \$6 per hour in 1999 to \$7 per hour on April 1, 2004, which has maintained the relative value of work over welfare. This offsets any negative effect from ending the NCBS clawback and raising assistance rates.

The Government also increased resources for maintenance enforcement, to ensure non-custodial parents shared in the responsibility of raising their children, and to make sure that single parents had access to the resources they need. Manitoba led a national initiative on reciprocal enforcement of maintenance orders, so that non-custodial parents cannot evade their responsibilities by moving out of the Province.

Funding for Access Programs was increased, after more than a decade of frozen funding.

The two-tier social assistance system, where municipalities administered general assistance and the Province administered other types of assistance, was replaced with a single-tier, provincially administered system. In return, municipalities agreed to provide job opportunities for employable assistance recipients.

Perhaps most importantly, the *Building Independence* initiative was introduced, which promotes opportunities for income assistance participants who are looking for work and wanting to participate meaningfully in their communities.

Building Independence:

- provides substantive links to training and employment for income assistance participants with other government departments;
- provides a range of supports to reduce barriers to employment;
- provides job readiness assessments; and
- develops and supports initiatives in partnership with agencies.

The *Building Independence* initiative develops and coordinates initiatives that help income assistance participants make real links to employment. The initiative also provides support for projects aimed at promoting job opportunities and increasing job skills and employability.

The Government also introduced significant tax relief. The middle and top bracket tax rates were reduced, the value of non-refundable tax credits was substantially increased and the Family Tax Reduction was expanded. These changes have benefited low income families. While tax reductions for the poor have limited direct benefits, they are important because they build faith in the future. Too often low income families view tax reductions as a benefit for the well-off. By extending tax reductions to low-income families, governments demonstrate their commitment to progressivity.

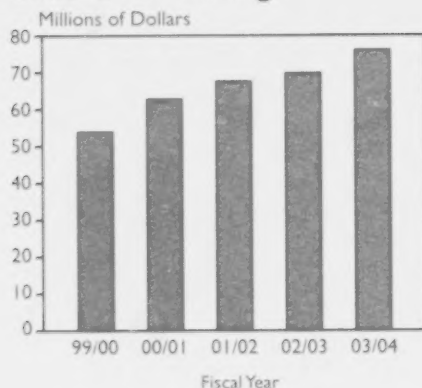
■ Making cross-sectoral linkages

The third step was to make cross-sectoral policy linkages.

Child Care

Perhaps one of the most important cross-sectoral linkages is child care. Access to affordable quality child care is a significant barrier to moving from welfare to work. Often, this critical link to employment is overlooked when transition programs are

Figure 6
Child Care Funding



Source: Manitoba Family Services and Housing

designed. Manitoba has made the link between affordable, accessible child care and work opportunities through its new five-year plan for child care.

The plan identifies three major areas to be addressed over the next five years by the Manitoba government, in a partnership with key stakeholders and the Government of Canada – quality, accessibility and affordability.

Since April 2000, Manitoba has increased its investment in child day care by 43 per cent (Figure 6). The percentage of funded spaces has increased by almost 19 per cent since then.

It is anticipated that by the end of March 2007, an additional 450 newly trained early childhood educators will have graduated, there will be 5,000 additional funded spaces, subsidy income levels and allowable deductions will be adjusted to ensure more low and middle income families are eligible for full or partial fee subsidies, the \$2.40 non-subsidized daily fee for subsidized families will be reduced, and more subsidies for child care will be available to support newly created spaces.

More support for infant care has been provided, and the amount of time parents can leave their children in child care while the parents look for work was increased from two weeks to eight weeks.

This should dramatically improve opportunities for parents to make the transition to work.

Healthy Child

The Healthy Child initiative was introduced to complement other early childhood interventions such as child care. To help children reach their potential, Healthy Child Manitoba works with families to support their children within strong communities. This support has short-term effects, by giving parents resources to move to employment, and long-term effects, by breaking the cycle of dependency.

An important feature of Healthy Child is leadership. Led by the Healthy Child Committee of Cabinet, Healthy Child Manitoba bridges departments and governments and, together with the community, works to improve the wellbeing of Manitoba's children and youth.

The Province of Manitoba, with its community partners, has developed a continuum of programs and services for children, youth and families including:

- Parent-Child Centred Approach – Brings resources together through community coalitions across the province to support parenting, improve children's nutrition and literacy, and build capacity for helping families in their own communities;
- FAS Strategy – The Fetal Alcohol Syndrome Strategy helps with the prevention, intervention and care and support of individuals with FAS or alcohol related birth defects;
- Healthy Baby – A two-part program of financial assistance for nutrition during pregnancy and community programs that offer nutritional and health education to expectant and new families;
- BabyFirst – A community based home-visiting program offering information and support to parents facing the many challenges of caring for a baby;
- Early Start – A community based home-visiting program for families with children aged 2 to 5. The goals of Early Start are to help support families to strengthen parenting skills, connect with the community and get children ready for school;
- Healthy Schools – Bridges the gap between health and education to improve the wellness of children and families in communities with higher than average factors of risk to good health. This initiative is in the early stages of development; and

- Healthy Adolescent Development Strategy – Supports healthy adolescent development, including initiatives for teen pregnancy prevention, through teen-centred prevention and intervention programs.

Child Welfare

Manitoba has devolved child welfare authority to First Nations and Métis agencies, and expanded the off-reserve authority of the First Nations agencies, so that child welfare services are provided in a culturally appropriate manner. This initiative will complement other early childhood strategies. An added benefit will be the creation of further employment opportunities for Aboriginal people.

Affordable Housing

The Government has also made the link between affordable housing and moving from welfare to work. A shortage of affordable housing can be a barrier to moving off welfare. In response, the Affordable Housing Initiative (AHI) was introduced.

The AHI is a five-year joint venture of the federal and provincial governments, developed to increase the supply of affordable rental units and new housing available in Manitoba. This will be achieved by supporting the development of new rental and homeowner units, offering a repair/conversion option, and providing homebuyer down payment assistance. New or renovated units may also be supported through rent supplements.

The AHI targets low-to moderate-income renters, urban families, off-reserve aboriginal people, northern residents, seniors, persons with disabilities and new immigrants.

To complement the AHI, a rent regulation regime is maintained to keep rents predictable and affordable, while providing flexibility for landlords with high-end rental units and investors who build new rental units.

Community Development

The final cross-sectoral program is Neighbourhoods Alive!. Neighbourhoods Alive! is a long-term, community-based, social and economic development strategy that recognizes that building healthy neighbourhoods requires more than an investment in bricks and mortar. As a result, Neighbourhoods Alive! supports and encourages community-driven revitalization efforts in designated neighbourhoods in a number of key areas including:

- housing and physical improvements;
- employment and training;
- education and recreation; and
- safety and crime prevention.

Finally, these disparate elements of social and economic policy have been drawn together into three regional community and economic development plans – for Winnipeg, rural Manitoba and the North.

The Winnipeg plan emphasizes downtown revitalization, safe neighbourhoods, affordable housing, inner city partnerships, expanding research and development, and maintaining key industries.

The rural plan emphasizes agricultural diversification, health and education, infrastructure, conservation and alternative energy.

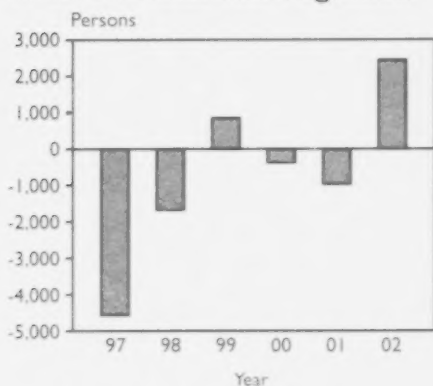
The Northern plan emphasizes an integrated approach to health, education, transportation, housing, hydropower and ecotourism.

Results

These policies are yielding results. Statistics show that employment opportunities in Manitoba are as strong as they have ever been:

- Manitoba had the best unemployment rate in Canada in 2002.

Figure 7

Manitoba Total Net Migration

Source: Statistics Canada

- Manitoba's youth unemployment rate was also the best in Canada at 10.2%, well below the 13.6% national rate. Manitoba's youth employment exceeded 98,000 in 2002, its highest level since 1990. After falling through most of the 1990s, Manitoba's youth employment has increased for four consecutive years.
- Interprovincial migration losses are the lowest they have been in years (Figure 7).
- The province achieved low unemployment rates despite a record-high increase in the labour force in 2002. Total labour force increased by 1.9%, the strongest rate of labour force growth in over 15 years. Similarly, Manitoba's labour

SHELTER SUPPORT: ECONOMIC AND COMMUNITY LINKAGES

Access to affordable housing is a vital challenge for many Manitobans who work for modest incomes and for many who are, or have recently been, in transition between social assistance and the labour market. In addition, unlike many other items in the family budget, the amount spent on shelter cannot be adjusted frequently to reflect fluctuations in income. The Province has long addressed these challenges with a number of different shelter support programs geared to both housing costs and family income. Integrating these various shelter benefits into one consistent and equitable program would better serve the needs of all.

The current programs include:

- SAFFR: Shelter Assistance for Family Renters—for individuals or couples with one or more children
- SAFER: Shelter Assistance for Elderly Renters—for senior individuals and couples
- RGI: Rent Geared to Income—a subsidized rental rate paid by residents of public housing owned and operated by the Province through MHRC
- RS: Rent Supplement program—provides a rental subsidy geared to income for residents of private rental or co-op housing
- CAP: Complementary Assistance Program—provides a similar rental subsidy for residents of co-op housing only

As noted in the accompanying paper, "The Government has ... made the link between affordable housing and moving from welfare to work. A shortage of affordable housing can be a barrier to

force participation rate increased to 69.2% from 68.1% in 2001, the highest labour force participation level ever recorded, and second in Canada behind Alberta.

- Manitoba's total employment rose by 9,100 jobs. Manitoba achieved record-high levels of employment in 2002.
- While the rate of employment growth was low, this was largely due to the fact a record number of people were already working.
- Manitoba's private sector accounted for approximately three-quarters of all net jobs created in Manitoba in 2002.

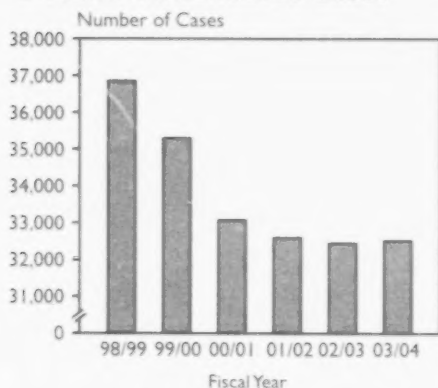
moving off welfare." The Affordable Housing Initiative (AHI), a federal-provincial cost-shared program, is designed to stimulate building and renovation projects for rental housing available at a low to median market rental range and for owner-occupied housing.

Besides stabilizing the portion of a household's income available for shelter purposes, shelter support transfer payments to families play a complementary role in stimulating affordable housing. They ensure that lower- and moderate-income Manitobans have dollars to compete in the housing market – and they leave families with freedom of choice among available alternatives of housing type and location. This eventually helps boost supply in the segment of the housing market that caters to their needs, complementing the AHI approach. Shelter support stimulates construction of affordable housing, helps maintain the existing housing stock in serviceable condition, and promotes the maintenance of safe and healthful neighbourhoods. It is estimated that over the past two years, more than \$45 million in private capital has been invested in improvements and rehabilitation of rental housing properties.

The 2005 Budget provides \$3 million to begin integrating Manitoba's shelter support programs. A well-designed integrated shelter benefit program will provide lower- and modest-income households with financial stability to afford adequate housing under varied market conditions. A portable benefit provides them with greater flexibility when they need to move to take advantage of employment opportunities. The housing market receives a signal to provide and improve more units suitable to the needs of Manitoba's varied population. This is an essential tool to complement the AHI.

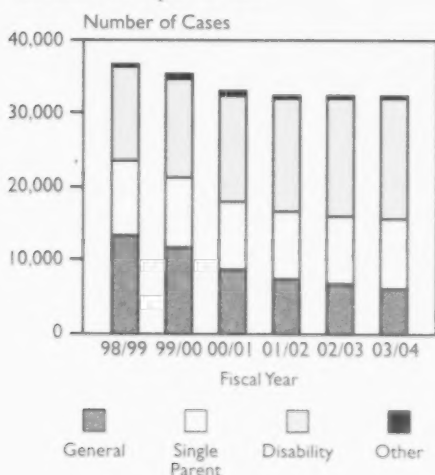
Ensuring adequate and safe housing for all is a critical component in the Government's effort to reduce poverty and its long-term effects. Manitoba's economy benefits when we build a community where all can work.

Figure 8
Decline in Assistance Cases



Source: Manitoba Family Services and Housing

Figure 9
Change in Assistance Case Composition



Source: Manitoba Family Services and Housing

These changes in the labour force have yielded results for income assistance caseloads. The average annual caseload has declined by over 4,300 cases, or 12%, since 1998/99 (Figure 8). Furthermore, the composition of the caseload has changed. General assistance cases have fallen by over 50% since 1998/99, while the disabilities caseload has increased 32%. Persons with disabilities now make up 51% of the caseload, up from 34%, while general assistance cases make up less than 20% of the caseload (Figure 9).

■ Getting the Mix Right – Focus on the Future

While progress is being made in helping people move from welfare to work, there is still work to be done.

Employment growth needs to be strengthened over the long-term. Manitoba's emphasis on increasing immigration and building and restoring major infrastructure should increase employment growth. In turn, these newly employed Manitobans will generate demand, which will increase employment growth further.

Manitoba Finance officials have completed a spreadsheet-based computer model that predicts the impact that changes in income or family circumstances will have on the financial position of individuals or families. The model includes all sources of income, federal and provincial income taxes and payroll taxes, cash benefits such as the Child Tax Credit or provincial rent support, and in-kind benefits such as child care subsidies and Pharmacare.

By changing family circumstances, such as the addition of another child, or by changing incomes, the model determines whether a family gains or loses, and by how much, when their circumstances change. It also derives the effective tax rates facing individuals or families over a range of incomes.

Preliminary results indicate that work is needed on reducing marginal effective tax rates. For example, a single parent with one pre-school age child making \$23,000 per year faces a marginal effective tax rate of 64% when items such as the reduction of child care subsidies and the clawback of child benefits are factored in (Figure 10).

If the single parent moves from income assistance to a full-time minimum wage job, her marginal effective tax rate is negative. In other words, moving from welfare to work triggers an increase in income over and above the difference between earned income and income assistance, as she is now eligible for a number of refundable tax credits.

High marginal effective tax rates are often the result of stacking of program benefits. The working supplement model tracks 13 different provincial benefits and 6 different federal benefits, as well as 1 provincial tax and 3 federal taxes. In the example above, the single parent is affected by 6 different programs and 4 different taxes.

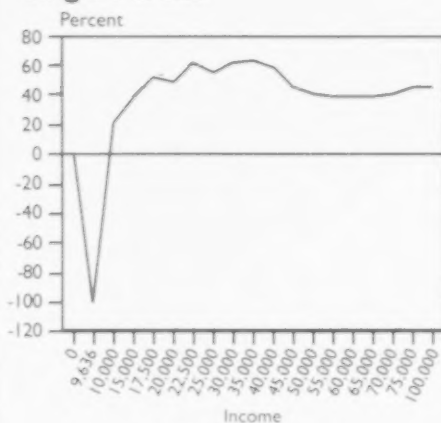
In the future, Manitoba will examine whether the broad range of boutique programs that are available can be modified or consolidated to reduce high marginal tax rates that may be a disincentive to participating in the labour force.

Manitoba is also closely monitoring the development of market-basket measures of low income to determine their usefulness as a policy tool for setting welfare rates and establishing non-refundable income tax credits.

Finally, efforts to date have focused on income support and the provision of in-kind services or benefits. However, the ability of low-income families to build assets is also a concern. Research has shown that families need to build sufficient assets to obtain education, purchase homes and start their own businesses (Ganzglass and Kane, 1997; Sherraden, 1991)). Asset building stabilizes families and communities and generates many positive

Figure 10

Marginal Effective Tax Rates – Single Parent



Source: Manitoba Finance

returns. (Clones, Friedman, Grossman and Wilson, 1995; Page-Adams and Sherraden, 1997)

To this end, the Manitoba Government is supporting a pilot project on Individual Development Accounts in Winnipeg. The initiative includes asset-building for business and home ownership, and therefore complements the federal learn\$ave pilot project, which focuses on education. Preliminary results from this pilot project have been encouraging.

■ Conclusion

Manitoba's approach to moving people from welfare to work has not been limited to either coercive or microeconomic techniques. Instead, it has focused on both the demand side – providing greater opportunities – and the supply side – building greater capacity.

This strategy was not developed centrally. Rather, it was the result of a Government composed of people with shared values, a common vision, and a defined purpose, each acting in their own area of responsibility.

The strategy on moving from welfare to work is part of our overall economic growth strategy, as developed by the [Premier's Economic Advisory Council –*ed*]. The strategy is:

- education first;
- building through research and innovation;
- raising and retaining capital;
- affordable government;
- growth through immigration;
- building communities; and
- building on our energy advantage.

By integrating social policies with economic strategies, Manitoba has made significant progress in creating a community where all can work.

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MANITOBA'S ACTION STRATEGY FOR ECONOMIC GROWTH



Manitoba 
Building for the Future



MANITOBA'S ACTION STRATEGY FOR ECONOMIC GROWTH

MARCH 2005

MANITOBA'S ACTION STRATEGY FOR ECONOMIC GROWTH

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■ Introduction

Manitoba's economic foundation is strong.

Unemployment rates remain consistently low while the province's responsible financial management has earned two credit rating upgrades, freeing up more dollars for services and debt repayment. The province has the second-lowest per capita spending in Canada, while continuing to make the strategic investments Manitobans have identified as important in areas such as health care, education, water resources, roads and infrastructure.

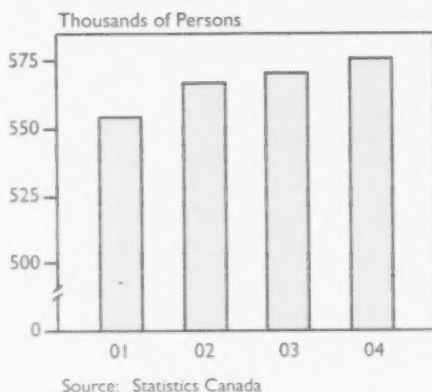
Increased numbers of new immigrants, the decision of more young people to stay in Manitoba and a revitalization of the province's urban centres contribute to a dynamic and vibrant economic environment that inspires investor confidence.

Rural Manitoba is benefiting from economic diversification while recovering from the effects of BSE and extreme weather. The natural resource base in Northern Manitoba, particularly hydro-electric power, is providing new training and employment opportunities for Northern residents.

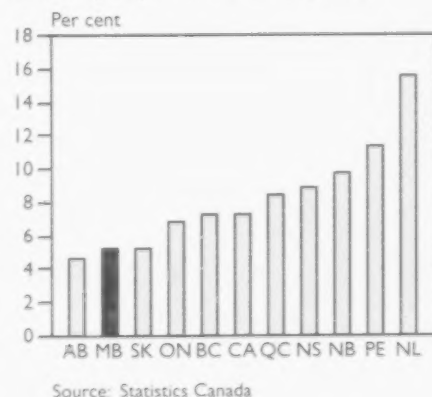
These successes have been guided by *Manitoba's Action Strategy for Economic Growth*, which is based on the recommendations provided by the Premier's Economic Advisory Council (PEAC).

PEAC was established by the Premier following the successful Manitoba Century Summit, which brought together a broad cross section of community leaders from across Manitoba to outline a new economic strategy. The Council, made up of business, labour, Aboriginal, education and local government leaders, provided recommendations to advance economic growth in Manitoba, strengthen our competitiveness and develop innovative partnerships for each sector of the Manitoba economy.

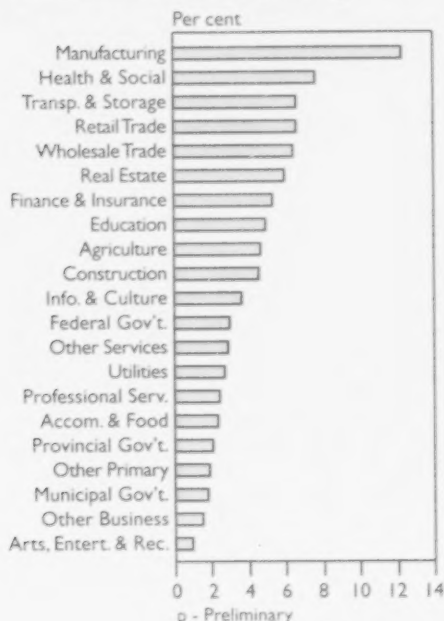
Manitoba Employment 2001 to 2004



Unemployment Rates, 2004



Shares of Manitoba Gross Domestic Product, 2004p



Source: Manitoba Bureau of Statistics

Investment in education and training is three times more important to economic growth over the long run than investment in physical capital.

Statistics Canada, June 2004

The key elements of Manitoba's action strategy are:

1. Education First
2. Building through Research and Innovation
3. Raising and Retaining Investment
4. Affordable Government
5. Growing through Immigration
6. Building on our Clean Energy Advantage
7. Building our Communities

The seven-point strategy, released in 2003, is updated in this document and reflects the recommendations of PEAC and its task groups which focus on specific economic opportunities. The plan will continue to provide the framework for strong economic growth in Manitoba and encourage opportunity for citizens, entrepreneurs and investors throughout the province.

1. Education First

Educate, train and retain Manitoba workers, utilizing a variety of methods, for jobs that are specifically relevant to Manitoba's economy.

-PREMIER'S ECONOMIC ADVISORY COUNCIL

Education comes first. Manitoba's thriving economy requires a well-educated, highly skilled workforce.

Manitoba's strategy is designed to meet the demands of the future through initiatives to increase post-secondary enrolment and training. In response to labour market needs, specialized training in key knowledge-based sectors has been developed and apprenticeship training has been significantly enhanced. The education and training needs of Manitoba's young Aboriginal people are being recognized with specific strategies to increase educational opportunities for this growing group of Manitobans.

Manitoba recognizes that the foundation for learning and future success is built in the early years of a child's life. The province helps parents and families prepare their children with a range of programs such as nutrition, early learning, child care and other parenting supports.

The province is investing in Manitoba's future through increased funding to public schools. Since 1999, operating funding for public schools has increased faster than the provincial rate of economic growth. More than \$300 million has been committed to upgrade existing schools and build new schools to provide children with positive learning environments.

Manitoba has made higher education more accessible to young people by lowering tuition costs, increasing college spaces, increasing financial assistance in the form of bursaries and scholarships, and re-investing in campus infrastructure. These investments in post-secondary education encourage young Manitobans to start their careers here at home and provide an educated labour force for our growing economy. More companies will locate and invest in our province if they are confident they will find a skilled, competent workforce.

Capital projects are enhancing the new energy found on campuses around the province, with significant improvements being made at the University of Winnipeg, Brandon University, St. Boniface College and Red River College. The province's commitment to the University College of the North gives Northern Manitobans access to higher education closer to home.

A \$50 million commitment from the province provided the foundation for a successful capital campaign at the University of Manitoba, which raised a total of \$237 million to pay for major building projects, including a new Engineering and Information Technology Centre.

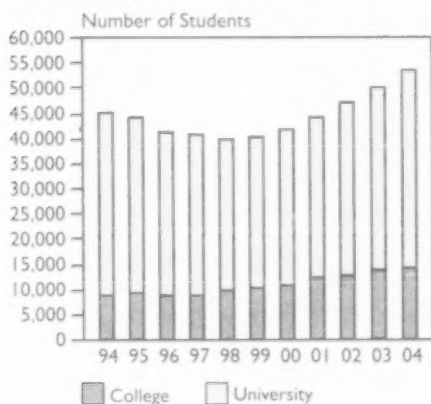
Improving access to higher education since 1999:

- A 10 per cent tuition reduction and freeze has kept post-secondary education accessible and affordable.
- College enrolment has increased 31 per cent and university enrolment has increased 34 per cent.
- College and university funding has increased more than 30 per cent.
- Scholarship and bursary funding available to Manitoba students has increased to \$17.6 million per year.
- A 10 per cent Co-operative Education Tax Credit encourages employers to provide on-the-job work experience for post-secondary students.

The province's commitment to the University College of the North gives Northern Manitobans access to higher education closer to home.

Putting education first provides direct economic and social benefits by strengthening opportunities for individuals and communities as a whole.

Post-Secondary Education Enrolment



Note: years refer to school-year endings

Source: Council on Post-Secondary Education

To address skill shortages in priority sectors, the province is supporting vocational and trades training. For example, we are:

- investing \$4.5 million over three years in the Technical Vocational Initiative to address current and emerging industry and labour market needs
- increasing to \$27 million the support for 78 college programs being created or expanded to respond to labour market needs in priority sectors
- expanding support to apprenticeship and pre-employment training, and continuing to develop industry training partnerships that target specialized trades

Putting education first provides direct economic and social benefits by strengthening opportunities for individuals and communities as a whole. We will build on our success by:

- implementing the Aboriginal Education Action Plan to increase high school graduation rates, encourage post-secondary education and connect young Aboriginal people with employment opportunities
- modernizing and updating Manitoba's arts curriculum, beginning in kindergarten, to include drama, visual arts, dance and music
- funding educational programs at Red River College to reach out to Manitobans who may not otherwise be able to participate in post-secondary education

Specialized training, new programs and expanded education options have been developed as part of our strategies for growth in key sectors of the economy: the health professions, biotechnology, information technology, aerospace, energy and advanced manufacturing.

PEAC will continue with this strategic direction and has struck a Skills Development Task Group

to identify ways to better connect the needs of our growing economy with the skills, training and career development of young people.

2. Building through Research and Innovation

For Manitoba to compete, a significant investment is required to attract and retain highly qualified research personnel, and to support R&D.

— PREMIER'S ECONOMIC ADVISORY COUNCIL

Knowledge-based industries drive economic growth in Manitoba. Investments in research and innovation increase productivity, conserve resources and contribute to new product development, and ultimately make Manitoba more competitive both nationally and internationally.

Ernst & Young's *Global Biotechnology Report 2004* says Manitoba has the fastest-growing biotechnology industry in Canada. This is the result, in part, of a provincial commitment to new partnerships between governments, entrepreneurs, researchers and the investment community. There has been a dramatic increase in research and innovation activity in Manitoba, which continues to strengthen our competitiveness and lay the groundwork for future success.

Manitoba is home to 41 biotech companies and 30 research and development groups specializing in areas such as health, environmental and agricultural biotechnology. These organizations generate more than \$440 million in annual revenue and employ more than 2,300 people. Research in life sciences employs an additional 1,900 people and results in more than \$120 million in research and development expenditures each year.

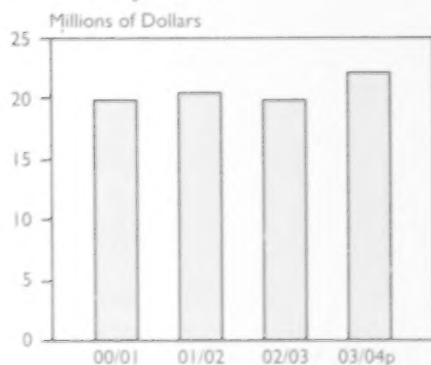
The International Centre for Infectious Diseases is being formed in Winnipeg and, in conjunction with the Canadian Science Centre for Human and Animal Health, will become a leader in research,

Ernst & Young's *Global Biotechnology Report 2004* says Manitoba has the fastest-growing biotechnology industry in Canada.

There has been a dramatic increase in research and innovation activity in Manitoba, which continues to strengthen our competitiveness and lays the groundwork for future success.

Innovation in Manitoba:
The Institute of Chartered
Accountants notes
Manitoba's rate of patent
registration jumped by
81 per cent since 1999,
the biggest increase
in Canada.

Provincial Government Expenditure on Research & Development



p - Preliminary

Source: Statistics Canada

training, innovation and commercialization to address the threat and impact of infectious disease. Manitoba's expertise and commitment to research and innovation in the field of infectious disease was a deciding factor in Winnipeg being chosen as the location for the headquarters of the new Public Health Agency of Canada.

The Manitoba government has provided direct strategic investments and targeted tax credits to support R&D. In 2005, the province announced a one-third increase, from 15 per cent to 20 per cent, to the Manitoba Research and Development Tax Credit. This tax credit supports qualifying R&D expenditures and the one-third increase provides further support for innovation in Manitoba's knowledge-based industries.

The \$15 million investment made by the province and its partners in the Manitoba Research and Innovation Fund in 2004, will leverage an additional \$21 million in research funding, with a sizeable part of it coming from outside of the province.

The University of Manitoba is one of Canada's major research universities, supporting more than 20 leading-edge research centres. For example, the Nano-Systems Fabrication Laboratory houses over \$7 million in nano-systems fabrication infrastructure, and is one of only a handful of labs in Canada capable of micro/nano-scale manufacturing. This type of manufacturing is used to develop sensors, batteries and telecommunication devices, and many other high-tech products.

Manitoba's success in research and development has resulted in a cluster of expertise that attracts new talent and investment. New sites for research and development continue to be built, including:

- the Institute for Advanced Medicine
- the Richardson Centre for Functional Foods and Nutraceuticals

- the Centre for Commercialization of Biomedical Technologies

In addition, the Composite Innovation Centre at the University of Manitoba's SMARTpark, opened in late 2004, will support new product development and further composite-related manufacturing industries focusing on aerospace, transportation, bio-composites and civil infrastructure.

The Advanced Manufacturing Initiative (AMI) is a \$4 million project to strengthen the productivity and competitiveness of the manufacturing sector with \$2.2 million in private funding and \$1.8 million in provincial and federal government funding. The AMI is being led by the Manitoba division of the Canadian Manufacturers & Exporters.

Manitoba's expertise reaches beyond our borders and provides additional opportunities such as the memorandum of understanding signed between Manitoba and Minnesota to create a "biocorridor." This strategic partnership will help lever access to international financing, manufacturing and marketing, increase commercialization of new developments and help Manitoba compete in the global life sciences industry.

Confidence in Manitoba's life sciences sector is evident:

- Biovail Corporation has invested \$50 million in its Steinbach facility and created more than 400 new jobs. Biovail is continuing to grow and announced in February 2005 another expansion, making its Steinbach plant one of the most advanced pharmaceutical manufacturing facilities in the world.
- Cangene Corporation's \$32 million expansion of its facility at SMARTpark will further develop its plasma fractionation capacity to meet future demand for hyper-immune development and production.

The Advanced Manufacturing Initiative

is a \$4 million project to strengthen the productivity and competitiveness of the manufacturing sector in Manitoba.

The University of Manitoba is one of Canada's major research universities, supporting more than 20 leading-edge research centres.

**The Centre for the
Commercialization of
Biomedical Technologies is
a 40,000-square-foot
business incubator and
prototype manufacturing
facility for medical
technology inventors
and entrepreneurs.**

Manitoba's vibrant information and communications technology (ICT) industry has successfully recovered from the worldwide downturn of the late 1990s:

- From 1999 to the end of 2003, the number of ICT companies in Manitoba rose by 244 companies – a 19 per cent increase.
- During this same period, the number of employees in the ICT sector rose by 1,600 – a 12 per cent increase.

Recommendations of the Premier's Economic Advisory Council led to the development of a new approach within government to purchase ICT products and services from small- and medium-sized businesses and help maximize economic and intellectual property development in the ICT industry in Manitoba.

3. Raising and Retaining Investment

Local investing has the potential to deliver return and diversification benefits to Manitoba pension and other institutional funds.

— PREMIER'S ECONOMIC ADVISORY COUNCIL

Investments in Manitoba deliver strong returns for investors and create new economic growth, jobs and opportunities for Manitobans.

The province is continuing to work with PEAC to develop capital investment strategies for Manitoba that deliver market rates of return, promote local investment and community economic development benefits, and increase understanding of local investment principles.

The province has helped establish private venture capital funds that have leveraged a total capital pool of approximately \$155 million for Manitoba companies, including those in the new media, software, biotechnology, manufacturing and value-added agriculture sectors.

The Western Life Sciences Venture Fund was established to create, acquire and develop early and later stage biomedical technology companies. The province invested \$5 million in this \$45 million, privately managed fund.

Manitoba has been successful in attracting major economic development projects to the province:

- The St. Leon Wind Energy Project is a \$187 million project that will be one of the largest single wind farms in Canada.
- Magellan Aerospace is investing \$10 million in strategic manufacturing technologies at its Manitoba-based Bristol Aerospace.
- Richardson Centre for Functional Foods and Nutraceuticals is a \$25 million partnership that brings together researchers from the agriculture, food sciences, nutrition, medicine and pharmacology sectors, along with their industry partners, to develop new products.
- I. H. Asper Clinical Research Institute, a \$25 million investment, will support cardiac and vascular research and create 300 new jobs at the St. Boniface General Hospital.
- The Industrial Partnership Facility, a \$10 million facility near the National Research Council's (NRC) Institute for Biodiagnostics, will assist start-up companies in the high-tech medical technology sector and spinoffs from the NRC.
- Convergys Corporation, a global provider of integrated billing and customer care services, is expanding its Manitoba operations with the establishment of a 37,000-square-foot location in Brandon.
- Nexen Chemicals has completed a \$50 million expansion of their sodium chlorate plant in Brandon.

The province is investing \$5 million in partnership with several private investors to establish the \$25 million privately managed CentreStone Ventures Fund to commercialize life sciences research and development.

The St. Leon Wind Energy Project is a \$187 million project that will be one of the largest single wind farms in Canada.

The Community Enterprise Development Tax Credit Program was introduced to help new enterprises attract funding and offer local investors a chance to help their communities grow.

The Manitoba government has also introduced the Community Enterprise Development Tax Credit Program. Manitobans looking for local investment opportunities can earn a provincial income tax credit of 30 per cent on a maximum annual investment of \$30,000.

At the request of the Premier, PEAC hosted the Aboriginal Economic Summit, *Bridging Opportunities*, in November 2004. The summit brought together members of the business, labour and Aboriginal communities to discuss strategies for expanding economic opportunities. The summit closed with the announcement that Canada's first Aboriginal Chamber of Commerce was being established in Manitoba.

PEAC subsequently formed the Aboriginal Summit Implementation Committee at the request of the Premier to execute the recommendations made at the *Bridging Opportunities* summit.

Manitoba is continuing to raise and retain investments in the provincial economy by:

- working with industry leaders in the life sciences sector to double the level of available venture capital by 2007
- extending the Manitoba Equity Tax Credit to June 30, 2011, to assist in the development of capital markets in the province and encourage Manitobans to invest in Manitoba companies
- promoting capital investment in rural Manitoba in areas such as agri-energy, bio-composites, food processing and value-added agriculture
- extending the Manufacturing Investment Tax Credit to include used buildings, machinery and equipment as qualifying property, and providing for 20 per cent of the credit to be refundable
- working with federal, provincial, territorial and Aboriginal counterparts to strengthen Aboriginal participation in the economy

- continuing the commitment to small businesses and the jobs they provide through skills development, industry promotion and local procurement initiatives, and reducing small business taxes

The government will seek input from PEAC's Local Investment Council and the wider investment community, to champion and generate support among pension and institutional funds for local investments in Manitoba businesses.

At the request of the Premier, PEAC has formed a task group to look at Manitoba's current competitive advantages and identify ways to further strengthen our competitiveness.

4. Affordable Government

Fair and responsible taxation policy, prudent debt management and a focus on strategic investments in health, education, infrastructure and other vital programs are the hallmarks of affordable and effective government. The provincial government has paid down debt and implemented the province's first plan to address pension liabilities.

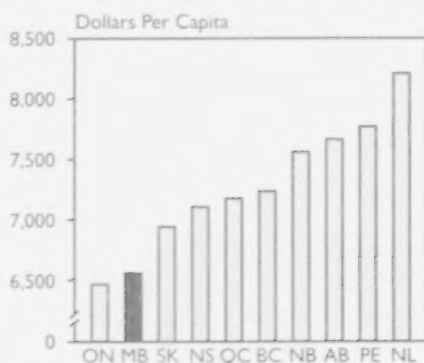
The Manitoba government is committed to a balanced fiscal approach. Every budget since 1999 has met the requirements of balanced budget legislation. Manitoba is continuing to modernize the way public finances are reported and, by the 2007/08 fiscal year, all government reporting will be done on a summary budget basis as recommended by the provincial Auditor General.

Manitoba's responsible financial management has earned the province two credit rating improvements since 1999. Manitoba's credit ratings are now among the strongest in Canada: rated second by Moody's Investors Service at Aa2. In upgrading Manitoba's credit rating, Moody's cited the province's "solid economic growth, balanced budgetary performance and a reduced debt burden."

At the request of the Premier, PEAC hosted the Aboriginal Economic Summit, *Bridging Opportunities*, in November 2004. The summit brought together members of the business, labour and Aboriginal communities to discuss strategies for expanding economic opportunities.

In upgrading Manitoba's credit rating, Moody's cited the province's "solid economic growth, balanced budgetary performance and a reduced debt burden."

Total Provincial Government Per Capita Expenditure, 2004/05



Source: Provincial financial reports and
Statistics Canada

The province has exceeded its commitment to implement tax reductions and pay down debt and pension liabilities, while keeping per capita spending the second-lowest in Canada.

Since 1999, our government has:

- allocated \$594 million to pay down long-term debt and pension liabilities
- reduced personal income taxes by \$249 million per year
- reduced education property taxes by \$142 million per year, including a 69 per cent reduction in the residential Education Support Levy which the government is committed to phase out
- reduced the small business tax rate from 8 per cent to 5 per cent in 2005, to 4.5 per cent in 2006 and to 4 per cent in 2007
- doubled the small business tax threshold from \$200,000 to \$400,000
- implemented the first reductions to the general corporation income tax rate since the Second World War, dropping it from 17 per cent to 15 per cent in 2005, to 14.5 per cent starting July 2006 and to 14 per cent starting July 2007

Reductions in personal taxes on income and property will total \$391 million per year by 2006, while business tax reductions will total \$129 million per year by 2008.

Manitoba has taken a balanced approach. The province has exceeded its commitment to implement tax reductions and pay down debt and pension liabilities, while keeping per capita spending the second-lowest in Canada. At the same time, Manitoba's investments have addressed the priorities Manitobans have identified as important to the well-being of the province.

5. Growing through Immigration

It is clear that Manitoba needs an increase in immigration to keep its population and work force in balance.

— PREMIER'S ECONOMIC ADVISORY COUNCIL

Immigration contributes significantly to sustaining economic development and strengthens respect for cultural diversity. Immigration builds communities, provides new skills and ideas, and strengthens our ability to innovate locally and in the global marketplace.

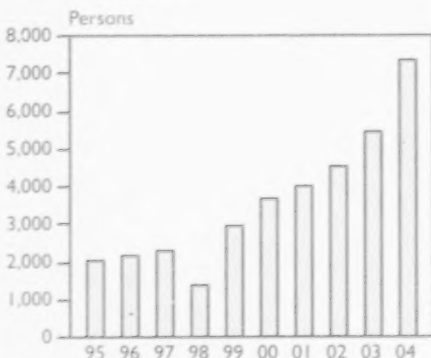
In 2004, Manitoba welcomed 7,400 immigrants, the highest level of immigration in more than 25 years. Manitoba is well on its way to achieving the provincial target of 10,000 immigrants per year by 2006.

The successful Provincial Nominee Program accounts for 50 per cent of Manitoba's newcomers. Manitoba is the leader in attracting immigrants through the provincial nominee process. Community and employer partnerships and targeted recruitment in Manitoba have increased the number of skilled immigrants who are ready to contribute to the growth, prosperity and diversity of the province.

Over 30 per cent of provincial nominees settled in centres outside Winnipeg, supporting growth and economic development in rural communities such as Winkler, Steinbach, Brandon, Morden, Arborg and Thompson. The Provincial Nominee Program for Business continues to attract entrepreneurs who establish businesses, create jobs and strengthen economic development. In 2004, Manitoba approved 121 businesses that brought with them a total investment of \$44.4 million and the potential to create more than 250 jobs in the province.

Since 1999, settlement funding for services that help new immigrants make Manitoba home, including provincial and federal resources, has

Manitoba Immigration 1995 to 2004



Note: data is for year ending October 31

Source: Statistics Canada

6,485 more people came to Manitoba than left for other provinces and countries in 2004 – more than triple the previous year's experience.

In 2004, Manitoba welcomed 7,400 immigrants, the highest level of immigration in more than 25 years. Manitoba is well on its way to achieving the provincial target of 10,000 immigrants per year by 2006.

almost doubled to \$8 million. This funding supports a wide range of services and programs delivered by more than 55 agencies in the province.

Over 1,200 refugees arrived in Manitoba in 2004, about 17 per cent of the province's total immigration. More than half of these new arrivals were privately sponsored, which reflects Manitoba's dedicated community-based immigrant support system.

Manitoba's successful immigration efforts will be built upon by:

- attracting skilled Francophone workers and entrepreneurs in collaboration with the federal government and community partners
- allowing international students who graduate from the province's post-secondary institutions to apply to become permanent residents of Manitoba
- increasing support for Manitoba's Qualification Recognition Initiative to better recognize the qualifications immigrants bring to the province
- increasing overall Provincial Nominee certificates in both skilled-worker and business components from 2,100 to between 2,500 and 3,000 per year
- providing responsive settlement services that support immigration, such as developing new models of English as a Second Language (ESL) service delivery for faster integration of immigrants into Manitoba's labour force and community
- instituting the Young Immigrant Farmer Program to attract young, entrepreneurial immigrant business people interested in establishing farm operations in the province

On the advice of PEAC, the Manitoba Immigration Council has been established with representation from business, labour and

multicultural organizations. The Council provides advice and recommendations to the government on promoting, attracting and retaining immigrants.

6. Building on our Clean Energy Advantage

Manitoba should:

- *Use affordable and reliable hydro-electric power to attract new enterprises to Manitoba... and grow existing Manitoba-based businesses.*
- *Reduce its reliance on imported oil and gas, and reduce greenhouse gas emissions through measures which could include mandating the use of ethanol-blended fuels.*

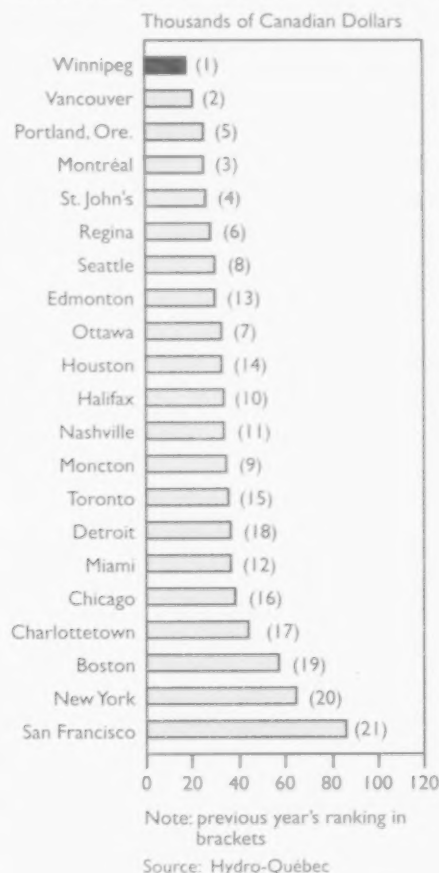
- PREMIER'S ECONOMIC ADVISORY COUNCIL

Clean energy is central to Manitoba's future economic growth and remains a major focus of the Premier's Economic Advisory Council. Through the development of new clean energy sources, associated manufacturing opportunities and a strong focus on greater energy efficiency, Manitoba is taking up the challenge.

Clean energy offers a sustainable, reliable supply of energy while protecting the environment Manitobans value. Manitoba has the potential to double Manitoba Hydro's current generating capacity of more than 5,000 megawatts with new clean energy generation, triggering up to \$10 billion in new investment – bigger than the largest Alberta oilsands project. The growing potential for exports of Manitoba's untapped power capacity is accelerating the need to develop new power generation. Manitoba's clean energy is an economically and environmentally attractive way to meet the demand for stable power sources. Displacing coal-fired electricity plants with hydro and other clean energy sources is one of Canada's greatest opportunities for reducing greenhouse gas emissions.

Manitoba Hydro, the province's publicly owned power utility, provides a major advantage for

Monthly Industrial Electric Bills Medium-sized Commercial/ Industrial Customer 400,000 Kilowatt Hours, 2004



Manitoba has the potential to double Manitoba Hydro's current generating capacity of more than 5,000 megawatts with new clean energy generation, triggering up to \$10 billion in new investment – bigger than the largest Alberta oilsands project.

The future Conawapa Dam – a 1,250-megawatt project – will provide economic opportunities, generating over 40,000 person-years of employment and yielding a major revenue stream for Aboriginal and Northern communities.

Manitoba consumers and business in supplying low-cost, clean and reliable power. Equalized hydro rates for rural and Northern residents, legislated in 2001, mean that all Manitobans pay the same low rate regardless of where they live.

Energy security for Canada requires a national grid to move power between provinces. Without a national grid, the ability to supply Canadian power to the rest of Canada's industrial heartland will remain limited. Manitoba welcomes national efforts to encourage east-west power flows. An expanded east-west grid will also spur the development of wind and other clean energy sources that are presently "stranded" from potential markets.

The proposed new generation Wuskwatim Dam illustrates a new approach to hydro-electric development. Local First Nations are engaged as full partners in the project, participating in project design to minimize environmental impacts and comprehensive training and employment programs. For the first time in Manitoba's history, Nisichawayasihk Cree Nation has been offered an equity ownership position in the project. The future Conawapa Dam – a 1,250-megawatt project – will provide even greater economic opportunities, generating over 40,000 person-years of employment and yielding a major revenue stream for Aboriginal and Northern communities. This is new hydro for a new century.

Wind energy is another significant emerging economic opportunity for Manitoba. The province's first wind farm at St. Leon will attract \$187 million in capital investment and provide \$10 million in earnings to local landowners. Manitoba is working toward developing up to 1,000 megawatts of wind power over 10 years, which will create important new economic opportunities for rural Manitoba.

Manitoba is positioning itself at the forefront of alternative, renewable transportation fuel production, such as ethanol, biodiesel and hydrogen.

The province is supporting the development of new sustainable transportation technologies and approaches. Alternative fuels and sustainable transportation will provide economic opportunities and environmental benefits for Manitobans.

Manitoba is continuing to work with the federal government, industry and producers to expand the production and use of ethanol in Manitoba. The Manitoba Mandate will require that up to 85 per cent of all gasoline sold in Manitoba contain 10 per cent ethanol. This requirement will create a local ethanol market of approximately 160 million litres per year. Manitoba is also conducting research in areas that would add to the value of co-products that result from the ethanol production process.

Biofuels such as ethanol and biodiesel not only contribute to the reduction of greenhouse gases, but their production helps diversify rural economies and allows existing industries to engage in new, value-added production. The Manitoba government is working with a 15-member council, chaired by the Manitoba Canola Growers and the Manitoba Trucking Association, to explore the biodiesel industry and examine ways to make this alternative fuel work for Manitoba.

Work on Efficiency Manitoba is advancing to provide Manitobans with a "one-stop shop" for accessing information and programs designed to help us conserve electricity, natural gas and water, and to reduce waste. This initiative will build on the success of Manitoba Hydro's Power Smart program which has helped reduce Manitobans' electricity bills and conserve the equivalent amount of energy that the city of Selkirk, Manitoba uses in an entire year. Efficiency Manitoba will also build on other successful programs such as the Canada-Manitoba Community Climate Change Challenge program, where communities work on innovative community energy and resource conservation projects to reduce climate change emissions.

Manitoba is positioning itself at the forefront of alternative, renewable transportation fuel production, such as ethanol, biodiesel and hydrogen.

Manitoba recently won a major award from the Canadian Energy Efficiency Alliance for leading energy efficiency programming in Canada.

In 2004, more than 20 per cent of Canada's new ground source heat pumps were installed in Manitoba.

Manitoba is partnering with First Nations and other Northern communities to develop a new generation of hydro projects to spur development in the North and across the province.

In 2004, more than 20 per cent of Canada's new ground source heat pumps were installed in Manitoba. Supported by incentive programs from Manitoba Hydro, ground source heat pumps are economical for use in new office buildings, schools, arenas, cottages and residential homes, and help Manitobans save on their energy bills.

Manitoba is the only jurisdiction in Canada to have developed a long-term plan for hydrogen development, with profitable links to be made with manufacturing. Manitoba is drawing on a network of experts from the public and private sectors to help chart a pathway for the local hydrogen industry. Hydrogen bus demonstrations and refuelling are all on the horizon for Manitoba.

In building on our clean energy advantage, Manitoba is committed to:

- expanding hydro-electricity export markets and working with other jurisdictions to build a national clean energy grid
- partnering with First Nations and other Northern communities to develop a new generation of hydro projects to spur development in the North and across the province
- developing up to 1,000 megawatts of new wind energy, providing new power generation and economic opportunities for rural communities
- maintaining leadership in expanded use of ground source heat pumps
- advancing the implementation of Manitoba's hydrogen opportunities in partnership with our public and private sector partners
- working with the federal government, industry and producers to increase the use and production of ethanol in Manitoba
- developing a biodiesel strategy to encourage the production and use of biodiesel fuel and create and extend value-added markets

7. Building our Communities

Manitoba should develop a long-term strategy that is based on confidence, opportunity and excitement focusing on Manitoba's unique strengths ... with everyone working together to build Manitoba.

— PREMIER'S ECONOMIC ADVISORY COUNCIL

Manitoba communities – urban, rural and Northern – are distinguished by unique customs and traditions, natural advantages and opportunities for growth. Manitoba's greatest economic advantage is Manitobans themselves. Their vision, skill, determination and commitment to their community provide valuable insight and direction to government, and drive economic growth in our province.

Urban Communities

There is a new energy and sense of vitality in Manitoba's urban centres. Manitobans' "can do" attitude is changing the way we view ourselves and how the world views us.

Working with other levels of government and the private and non-profit sectors, the province is part of the renewal of Manitoba's capital city.

The new MTS Centre opened with a celebration of Manitoba talent and will play host to the 2005 Juno Awards.

The original vision of The Forks has been extended to the Exchange District. Waterfront Drive is completed and the private sector has responded with the announcement of new waterfront housing units and the opening of a new hotel at The Forks.

In 2005, the new downtown Millennium Library will open as a centre for community learning and cultural celebration.

Manitoba's greatest economic advantage is Manitobans themselves. Their vision, skill, determination and commitment to their community provide valuable insight and direction to government, and drive economic growth in our province.

The Manitoba government is committed to continuing to find ways to work together to support communities to further community and economic development.

**The Red River College
Princess Street Campus
is now bringing
2,000 students to
downtown Winnipeg.**

Keystone Centre –
The Province of
Manitoba, the City
of Brandon and the
federal government have
pledged \$15 million
to construct the new
Agricultural Centre
of Excellence and
upgrade existing
Keystone Centre
facilities.

The province is moving forward on a number of other projects in our urban communities:

- Expansion of the Red River Floodway – This \$660 million project will offer one-in-700-year flood protection and generate hundreds of millions of dollars in economic benefits for the province and the rest of Canada.
- Winnipeg Airport Authority – A \$350 million capital program to upgrade the international airport facilities and establish a new 60,000-square-foot main terminal building is underway.
- Canadian Museum for Human Rights – The province is supporting the proposal to create this national museum to advance the understanding of human rights, including the struggles faced by Canada's Aboriginal people.
- Keystone Centre – The Province of Manitoba, the City of Brandon and the federal government have pledged \$15 million to construct the new Agricultural Centre of Excellence and upgrade existing Keystone Centre facilities.
- New Hydro Building – Manitoba Hydro's new 600,000-square-foot head office in downtown Winnipeg will showcase the latest environmental building technologies and further advance Manitoba's climate change strategies.
- Kenaston Underpass and Waste Water Treatment Upgrades – Manitoba has committed \$55 million for new capital projects in Winnipeg.
- Centre for Sustainable Transportation – Relocation of the Centre from Toronto to Winnipeg brings government, industry, academic and non-government resources together and will help establish Manitoba as a global leader in sustainable transportation.
- Health Infrastructure – The largest ever health capital project is underway at the Winnipeg Health Sciences Centre, and the Brandon Regional

Health Centre is now a state-of-the-art health centre serving Western Manitoba.

- Waverley West – A new model of housing development to be built on provincial and privately owned land will address a growing demand for housing within the City of Winnipeg.

Manitoba is working closely with community organizations and the other levels of government to support infill housing projects and neighbourhood renewal efforts.

Through a variety of provincial programs and partnerships, communities are rebuilding through grassroots efforts:

- Neighbourhoods Alive! – Since 1999, almost \$15 million has been invested in community-driven revitalization efforts in neighbourhoods in need in Winnipeg, Brandon and Thompson for employment and training, recreation, safety and housing projects. This blueprint for success will be extended to additional inner city Winnipeg neighbourhoods.
- North End Wellness Centre – With the assistance of a \$1 million capital grant from the province, a new North End Wellness Centre will be built on the vacant North YM-YWCA site, bringing a wide range of recreation and wellness services to community residents.
- Affordable Housing Initiative – Manitoba and the federal government have committed more than \$50 million to increase the supply of affordable housing units across the province, including Winnipeg, Brandon and Thompson.
- Winnipeg Partnership Agreement – In 2004, Manitoba signed and committed \$25 million to this new agreement, building on a successful history of tripartite urban development agreements for Winnipeg.

Manitoba's approach to urban revitalization is underscored by a commitment to community economic development and inner city renewal.

Community Economic Development – Assistance is being provided for the ongoing efforts of SEED Winnipeg, the Jubilee Fund, Community Ownership Solutions and neighbourhood renewal corporations in Winnipeg, Brandon and Thompson.

University College of the North has a comprehensive range of post-secondary educational opportunities for Northern and Aboriginal residents, including a new degree-based Aboriginal Midwifery Education Program and the creation of 50 spaces to educate nurses in Northern Manitoba.

Northern Manitoba

The provincial government is continuing to make significant investments in upgrading transportation infrastructure, bringing health care services closer to home and expanding the range of education and training opportunities for Northern residents.

Major opportunities exist for Northern Manitobans in sectors such as energy, eco-tourism, mining, forestry and fishing where strategic investments are needed to make these opportunities happen. The province's Northern Development Strategy (NDS) will continue to focus on economic development, health care, transportation, housing, education and training.

The continuing efforts of the NDS build on a foundation of success in the north:

- University College of the North (UCN) – UCN has a comprehensive range of post-secondary educational opportunities for Northern and Aboriginal residents, including a new degree-based Aboriginal Midwifery Education Program and the creation of 50 spaces to educate nurses in Northern Manitoba.
- Training for Future Hydro Development – Manitoba Hydro, the federal government and the province have committed more than \$60 million for pre-project training on northern hydro projects.
- Treaty Land Entitlement – In line with PEAC's recommendation to work toward providing greater land base certainty, Manitoba is proceeding with treaty land entitlement processes: more than 80,000 acres of land have been transferred to Canada for additions to reserve land and another 680,000 acres have been deemed eligible for future transfer.
- Communities Economic Development Fund – Manitoba continues to increase the capacity

of Northern communities to take advantage of local economic development opportunities.

- Winter Roads – The budget for winter roads has more than doubled since 1999.
- Broadband Communications North – This provincial program will extend high speed Internet services into more Northern communities.
- Rail – The province is helping Keewatin Railway Company, owned by four First Nations, with its efforts to purchase the Sherridon line and provide continuing residential and industrial rail service.

Rural Manitoba

Manitoba continues to work with farm families and municipalities to invest in infrastructure and diversification that will sustain them over the long term. The province is also helping our rural and agriculture communities address the challenges associated with BSE, low commodity prices and weather-related problems. Successes to build on include:

- Education Taxes on Farmland – For 2005 and subsequent years, the province has cut farmland school taxes in half with a \$20 million rebate.
- BSE Support Programs – Manitoba is providing more than \$180 million in assistance through a variety of programs, including direct payments to producers, low-interest loans and incentives for increasing the slaughter and testing of animals.
- New Chief Veterinarian – Recognizing the importance of animal health and food safety to the economy, Manitoba became the first province in Canada to create the position of Chief Veterinarian.
- Crop Insurance – Inclement weather in 2004 made both seeding and harvest a challenge in many parts of the province. Crop insurance paid

Major opportunities exist for Northern Manitobans in sectors such as energy, eco-tourism, mining, forestry and fishing where strategic investments are needed to make these opportunities happen.

Broadband Communications North will extend high speed Internet services into more Northern communities.

**Bridging Generations
Initiative (BGI) –**

**Designed to ease the
transfer of family farms
from one generation to
the next, the BGI has
provided 275 loans
worth \$33.7 million
since 2002.**

Hometown Manitoba
– Local communities can
apply to receive financial
assistance on a cost-shared
basis to improve the
look of their main street,
including outdoor meeting
places, green spaces and
building exteriors.

out more than \$166 million to cover crop losses, including almost \$25 million for excess moisture claims – a new program introduced in 2000.

- **Hometown Manitoba** – Local communities can apply to receive financial assistance on a cost-shared basis to improve the look of their main street, including outdoor meeting places, green spaces and building exteriors.
- **Canadian Agricultural Income Stabilization Program** – Manitoba has taken a leadership role and, in partnership with the federal government, instituted payments for cattle and other ruminant producers worth \$26 million.
- **Rural Economic Development Initiative (REDI)** – Through a variety of programs REDI supports rural and Northern community economic development activities.
- **Enhanced Diversification Loan Guarantee** – This program has assisted 240 applicants get access to \$250 million in private financing in order to undertake diversification, innovation or value-added activities in their operations.
- **Growing Opportunities** – Manitoba Agriculture, Food and Rural Initiatives has undertaken its own renewal to help rural communities, producers and farm families with improved access and services. The result is a heightened focus on value-added production, rural economic growth, animal health and food safety.
- **Municipal Water Upgrades** – The provincial government has invested \$79 million in clean water and waste water projects since 1999 in communities throughout rural and Northern Manitoba.
- **Rural Health Care Investments** – Manitoba continues to build on \$157 million in major capital projects by increasing use of rural facilities and surgical and diagnostic services across the province.

■ Conclusion

Manitoba's Action Strategy for Economic Growth is centered upon the recommendations from the Premier's Economic Advisory Council. This framework has proven successful and continues to underpin Manitoba's approach to sustainable, equitable and long-term economic growth and competitiveness.

A key part of our economic strategy is to communicate the opportunities that Manitoba offers to the rest of the world. Building a stronger image for Manitoba will enable the province to compete more effectively. Through PEAC, the province is working with business and community groups to create a fresh, new way to tell the world what a great place Manitoba is to visit, invest in, work and live.

Our strategy is strengthening Manitoba's economic performance and building on our advantages, which include an educated workforce, a diversified economy and an abundant source of clean and renewable energy.

Manitoba's plan for growth is working, and will continue to work for the benefit of all Manitobans.

**This strategy continues
to build for the future
so that all Manitobans
will have opportunities
to learn and succeed in
their home province.**

Appendix:

PREMIER'S ECONOMIC ADVISORY COUNCIL

Co-chairs

Bob Silver
Robert Ziegler

Western Glove & Winnipeg Free Press
UFCW Local 832

Other Representatives

Costas Ataliotis
Jim August
Lea Baturin
Jamie Brown
Anita Campbell
David Chartrand
Jerry Cianflone
Elaine Cowan
Marielle Decelles-Brentnall
Rob Despins
Sylvia Farley
Albert Friesen
Richard Frost
Chris Hamblin
Leonard E. Harapiak
Maria Soares

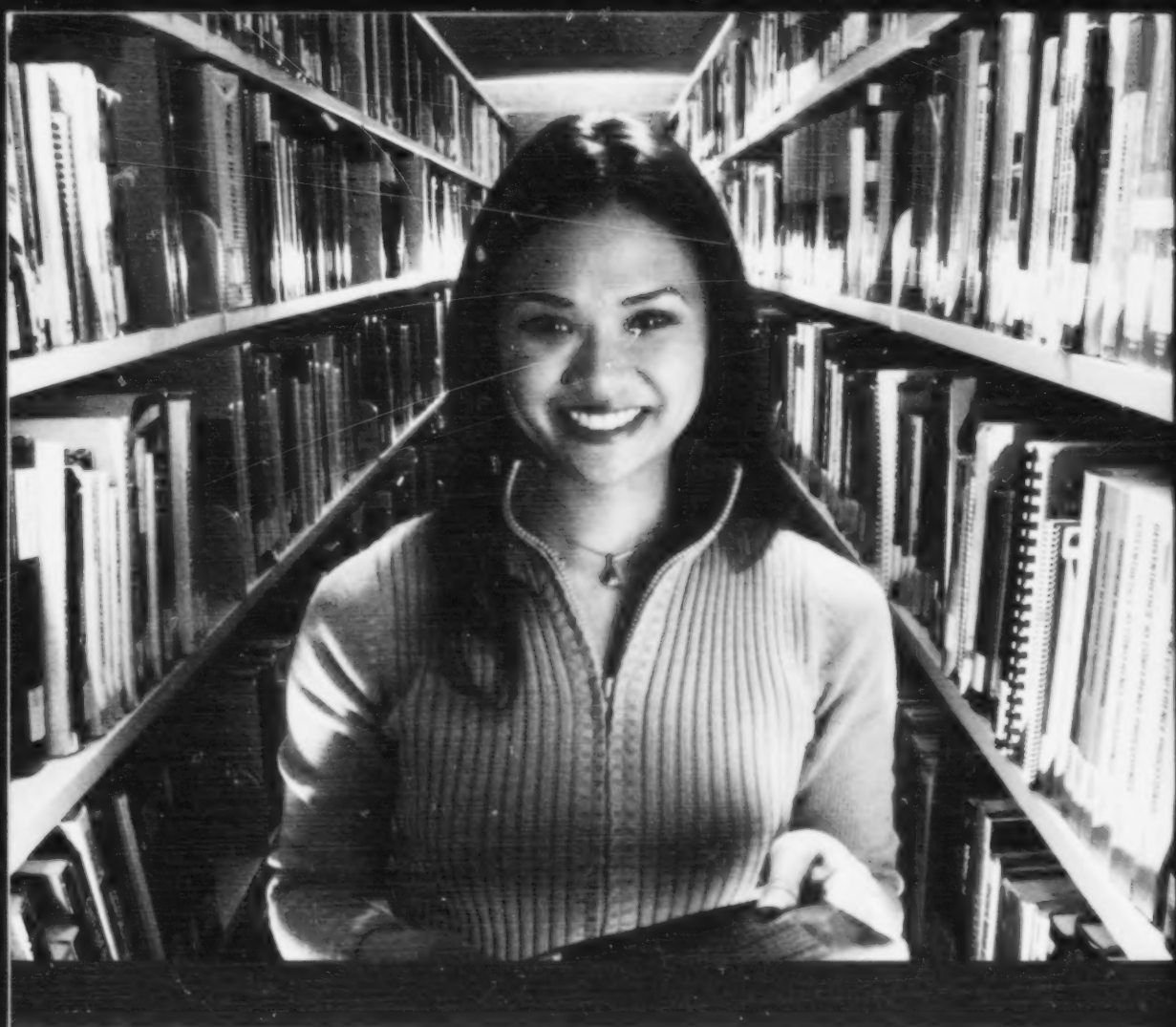
Protos International
Forks North Portage Partnership
Communications, Electrical, and Paperworkers Union
Frantic Films
Ma-Mow-We-Tak Friendship Centre, Thompson, Manitoba
Manitoba Métis Federation
Hotline International Pizza Systems Ltd.
Anokiiwin Consulting Institute
Telecom Options Inc.
Standard Aero Corporate University
Manitoba Federation of Labour
Genesys Ventures, Inc.
Winnipeg Foundation
Canadian Grain Commission
South Winnipeg Technical Institute
Union of Needle Trades, Industrial & Textile Employees,
Local 459

Joanne C. Keselman
Sherman L. Kreiner
Chuck Loewen
Florina Marcelino
Irene Merie
Allan McLeod
Reid Minish
Ashish R. Modha
Mariette Mulaire

University of Manitoba
Strategic Planning Consultant
Online Business Systems
Philippine Times
Partners in the Park
Tribal Council Investments Group
Northern Specialty, Swan River
Mondetta Clothing Company
Economic Development Council for Manitoba
Bilingual Municipalities

Marcel Moody
Judy Murphy
Roslyn Nugent
Peter Olfert
Manisha Pandya
Dale Paterson
Harvey Sector
Ian Smith
Guy Sumida

Nisichawayasihk Cree Nation, Nelson House
Royal Winnipeg Ballet
Bayridge Lumber & Forest Products, Inc.
Manitoba Government & General Employees Union
Kendall Wall Pandya Chartered Accountants, Thompson
Canadian Auto Workers Union
University of Manitoba
Institute for Biodiagnostics
Denturist, Brandon





**LE PLAN
STRATÉGIQUE
DE CROISSANCE
ÉCONOMIQUE
DU MANITOBA**



Manitoba 
Bâtir l'avenir





PLAN STRATÉGIQUE DE CROISSANCE ÉCONOMIQUE DU MANITOBA

MARS 2005



PLAN STRATÉGIQUE DE CROISSANCE ÉCONOMIQUE DU MANITOBA

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Pour obtenir plus de renseignements, consulter le site Web suivant : www.manitoba.ca



■ Introduction

Le Manitoba a établi une base économique solide.

Les taux de chômage continuent d'y rester peu élevés tandis que la gestion financière responsable pratiquée par la province lui a valu deux majorations de sa cote de crédit. Cela permet au Manitoba de consacrer davantage de ses ressources financières aux services à la population et au remboursement de la dette. À l'exception d'une seule autre province, les dépenses par habitant sont plus élevées partout ailleurs au Canada; cependant le Manitoba poursuit de façon stratégique les investissements importants souhaités par la population dans des domaines tels que les soins de santé, l'éducation, les ressources hydriques, les routes, et l'infrastructure.

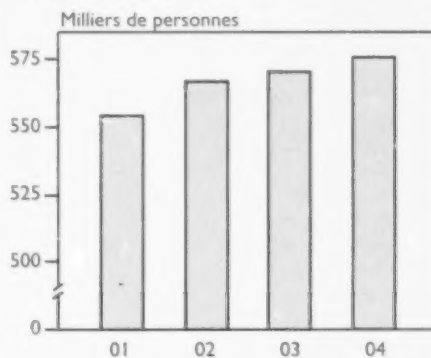
L'accroissement du nombre d'immigrants, le fait que plus de jeunes décident de rester au Manitoba et la revitalisation de nos centres urbains sont des facteurs qui contribuent à la création d'un environnement dynamique donnant confiance aux investisseurs.

Le Manitoba rural bénéficie de la diversification économique alors qu'il se remet des effets de l'ESB et de conditions météorologiques exceptionnelles. Les ressources naturelles du nord du Manitoba, et notamment l'énergie hydroélectrique, ouvrent de nouvelles possibilités de formation et d'emploi pour les résidents du Nord.

Ces succès ont été guidés par le Plan stratégique de croissance économique du Manitoba, fruit des recommandations formulées par le Conseil consultatif économique du premier ministre.

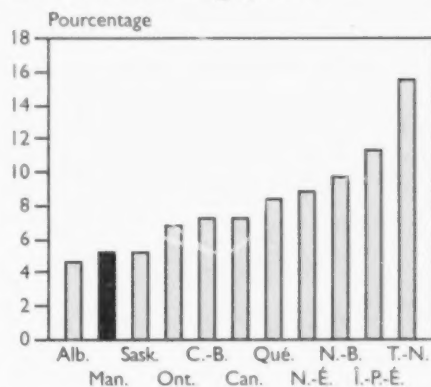
Le Conseil consultatif a été créé par le premier ministre après la réussite du Sommet manitobain du siècle, forum où un grand nombre de dirigeants communautaires se sont réunis pour élaborer une nouvelle stratégie économique. Le Conseil, qui rassemble des chefs de file des administrations

L'emploi au Manitoba de 2001 à 2004



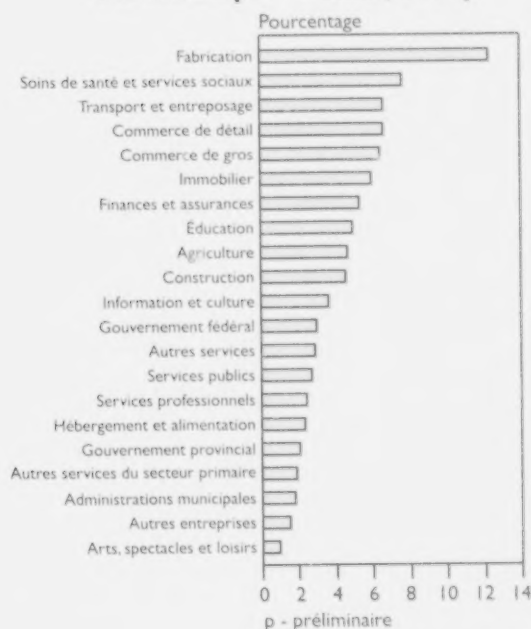
Source : Statistique Canada

Taux de chômage, 2004



Source : Statistique Canada

Produit intérieur brut du Manitoba par secteur, 2004p



Source : Bureau des statistiques du Manitoba

**À long terme,
les investissements dans
l'éducation et
la formation sont trois
fois plus importants pour
la croissance économique
que les investissements
en capital physique.**

Statistique Canada, juin 2004

locales et du milieu autochtone ainsi que des secteurs des affaires, du travail et de l'éducation, a présenté des recommandations en vue d'avancer la croissance économique, de renforcer notre compétitivité et de créer des partenariats novateurs pour chaque secteur de l'économie manitobaine.

Voici les éléments clés de la stratégie :

1. L'éducation avant tout
2. Bâtir au moyen de la recherche et de l'innovation
3. Accroître et retenir les investissements
4. Un gouvernement à la mesure de nos moyens
5. Croître grâce à l'immigration
6. Tirer parti de notre atout énergétique
7. Bâtir nos communautés

Le présent document est une mise à jour du plan stratégique en sept points publié en 2003. Il reflète les recommandations du Conseil consultatif économique du premier ministre et de ses groupes de travail concernant des possibilités économiques ciblées. Le plan continuera à servir de cadre à une croissance économique robuste au Manitoba et à favoriser de nouvelles possibilités pour les habitants, les entrepreneurs et les investisseurs de toutes les régions de la province.

1. L'éducation avant tout

L'éducation, la formation et le maintien de la main-d'œuvre manitobaine, par l'utilisation de diverses méthodes, en vue d'emplois axés particulièrement sur l'économie manitobaine.

— CONSEIL CONSULTATIF ÉCONOMIQUE DU PREMIER MINISTRE

L'éducation passe avant tout. L'économie prospère du Manitoba exige le concours d'une main-d'œuvre instruite et hautement qualifiée.

La stratégie du Manitoba est conçue pour répondre aux exigences de l'avenir grâce à des initiatives permettant de créer davantage de possibilités de formation postsecondaire et d'augmenter l'effectif étudiant. Pour satisfaire aux besoins du marché du travail, le gouvernement provincial a mis sur pied des programmes de formation spécialisée dans les secteurs clés du savoir et a apporté des améliorations notables à la formation en apprentissage. La Province est consciente des besoins des jeunes Autochtones en matière de formation et d'éducation, et elle y répond en créant des stratégies précises afin d'accroître les possibilités d'éducation pour cette tranche croissante de la population manitobaine.

La Province reconnaît que les bases de l'apprentissage et de la réussite s'établissent dès la plus tendre enfance. Pour cette raison, elle aide les parents et les familles à préparer leurs enfants en leur offrant une gamme de programmes dans les domaines de la nutrition, de l'apprentissage des jeunes enfants et de la garde d'enfants, ainsi que d'autres services de soutien.

Le Manitoba investit dans l'avenir en augmentant le financement de ses écoles publiques. Depuis 1999, les fonds de fonctionnement alloués aux écoles publiques ont augmenté plus rapidement que le taux provincial de croissance économique. Plus de 300 millions de dollars ont été engagés dans l'amélioration des écoles existantes et dans la construction de nouvelles écoles, afin d'offrir aux enfants un environnement propice à l'apprentissage.

Le Manitoba a rendu l'éducation supérieure plus accessible aux jeunes. La Province a réduit les droits de scolarité, augmenté le nombre de places dans les collèges, accru l'aide financière offerte sous forme de bourses et réinvesti dans l'infrastructure des campus. Ces investissements dans l'enseignement postsecondaire encouragent les jeunes de la province à entreprendre leur carrière ici-même,

Le gouvernement favorise l'accès à l'éducation supérieure depuis 1999 :

- une réduction de 10 % et un gel des droits de scolarité ont permis de maintenir le caractère accessible et abordable de l'enseignement postsecondaire;
- le nombre d'inscriptions a augmenté de 31 % dans les collèges et de 34 % dans les universités;
- le financement accordé aux collèges et aux universités a connu une hausse supérieure à 30 %;
- le montant consacré à diverses bourses d'études et d'excellence s'élève maintenant à 17,6 millions de dollars par an;
- un crédit d'impôt pour l'éducation coopérative, de 10 %, encourage les employeurs à offrir des stages aux étudiants de niveau postsecondaire.

L'engagement du gouvernement à l'égard de la création du Collège universitaire du Nord permet aux résidents de cette région d'avoir accès à l'éducation supérieure plus près de chez eux.

Une approche qui favorise
l'éducation avant tout
procure des avantages
économiques et sociaux
directs, car elle multiplie
les possibilités pour tous,
tant à l'échelle individuelle
que collective.

au Manitoba, et permettent à notre économie en croissance de disposer d'une main-d'œuvre instruite. Un plus grand nombre d'entreprises s'installeront et investiront dans la province si elles savent qu'elles peuvent compter sur des travailleurs qualifiés et compétents.

L'énergie nouvelle qui anime les campus manitobains est mise en valeur par d'importants projets d'immobilisations, dont les améliorations en cours à l'Université de Winnipeg, à l'Université de Brandon, au Collège de Saint-Boniface et au collège Red River. L'engagement du gouvernement à l'égard de la création du Collège universitaire du Nord permet aux résidents de cette région d'avoir accès à une éducation supérieure plus près de chez eux.

Un engagement financier de 50 millions de dollars de la part de la Province a donné un bon départ à la fructueuse campagne de financement de l'Université du Manitoba, qui a permis de réunir 237 millions de dollars au total pour financer d'importants projets de construction, parmi lesquels un centre de l'ingénierie et des technologies de l'information.

Pour remédier aux pénuries de main-d'œuvre spécialisée dans les secteurs prioritaires, le gouvernement appuie la formation professionnelle et la formation dans les métiers. À titre d'exemple :

- nous investissons 4,5 millions de dollars sur trois ans dans l'Initiative en matière d'enseignement technique et professionnel, afin de combler les besoins immédiats et émergents de l'industrie et du marché du travail;
- nous portons à 27 millions de dollars l'aide financière accordée à 78 programmes offerts dans les collèges et créés ou élargis dans le but de répondre aux besoins du marché du travail dans les secteurs prioritaires;

- nous augmentons notre appui à la formation en apprentissage et à la formation préalable à l'emploi, et continuons d'établir des partenariats de formation dans l'industrie pour certains métiers spécialisés.

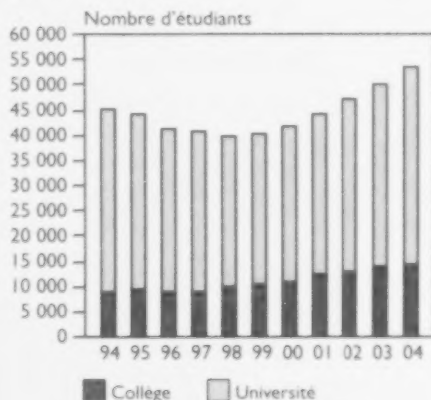
Une approche qui favorise l'éducation avant tout procure des avantages économiques et sociaux directs, car elle multiplie les possibilités pour tous, tant à l'échelle individuelle que collective. Nous continuerons sur notre lancée :

- en mettant en œuvre le Plan d'action pour l'éducation des Autochtones, afin d'augmenter le nombre de diplômés du secondaire, d'encourager les élèves à faire des études postsecondaires et de créer des possibilités d'emploi pour les jeunes Autochtones;
- en modernisant et en actualisant les programmes d'enseignement des arts dès la maternelle, pour inclure le théâtre, les arts visuels, la danse et la musique;
- en finançant des programmes éducatifs au collège Red River, ciblant les personnes qui, autrement, ne pourraient peut-être pas poursuivre des études postsecondaires.

La formation spécialisée, les nouveaux programmes et les programmes éducatifs élargis font partie de notre stratégie de croissance dans les secteurs les plus importants de l'économie, notamment la santé, la biotechnologie, les technologies de l'information, l'aérospatiale, l'énergie et la fabrication avancée.

Le Conseil consultatif économique du premier ministre entend continuer sur cette voie stratégique et a formé un groupe de travail sur le développement des compétences, dans le but de faire concorder les besoins de l'économie croissante avec les compétences, la formation et le perfectionnement professionnel des jeunes.

Inscriptions aux études postsecondaires



Note : Sont indiquées les inscriptions à la fin de chaque année scolaire

Source : Conseil de l'enseignement postsecondaire

Le rapport de la société Ernst & Young intitulé *Global Biotechnology Report 2004* indique que c'est au Manitoba que l'industrie de la biotechnologie connaît la plus forte croissance au Canada.

Les activités liées à la recherche et à l'innovation ont connu une augmentation remarquable au Manitoba et continuent ainsi de raffermir la compétitivité de la province et d'asseoir sa réussite pour les années à venir.

2. Bâtir au moyen de la recherche et de l'innovation

Pour que le Manitoba puisse faire face à la concurrence, il est nécessaire d'effectuer d'importants investissements afin d'appuyer la recherche et le développement, et d'attirer et retenir du personnel de recherche hautement qualifié.

— CONSEIL CONSULTATIF ÉCONOMIQUE DU PREMIER MINISTRE

Les industries fondées sur le savoir sont le moteur de la croissance économique du Manitoba. Investir dans la recherche et l'innovation augmente la productivité, préserve les ressources, contribue au développement de nouveaux produits et, à terme, rend la province plus compétitive tant sur le plan national qu'international.

Le rapport de la société Ernst & Young intitulé *Global Biotechnology Report 2004* indique que c'est au Manitoba que l'industrie de la biotechnologie connaît la plus forte croissance au Canada. Cette situation est due, en partie, à l'engagement du gouvernement provincial à établir de nouveaux partenariats avec les administrations publiques, les entrepreneurs, les chercheurs et les investisseurs. Les activités liées à la recherche et à l'innovation ont connu une augmentation remarquable au Manitoba et continuent ainsi de raffermir la compétitivité de la province et d'asseoir sa réussite pour les années à venir.

Le Manitoba compte 41 entreprises de biotechnologie et 30 groupes de recherche et de développement spécialisés dans des secteurs de la biotechnologie comme la santé, l'environnement et l'agriculture. Ces entreprises génèrent plus de 440 millions de dollars en recettes annuelles et procurent de l'emploi à plus de 2 300 personnes. En outre, le secteur de la recherche en sciences de la vie emploie 1 900 autres personnes et apporte annuellement à l'économie plus de 120 millions de dollars dans le domaine de la recherche et du développement.

À Winnipeg, le centre international des maladies infectieuses est en voie de développement. Avec le Centre scientifique canadien de la santé humaine et animale, il sera un centre nerveux de recherche, de formation, d'innovation et de commercialisation en matière de protection contre les maladies infectieuses et leurs effets. L'engagement du Manitoba dans le domaine des maladies infectieuses et l'expertise qui s'y trouve, qu'il s'agisse de recherche ou d'innovation, ont été des facteurs décisifs dans le choix de Winnipeg comme siège de la nouvelle Agence de la santé publique du Canada.

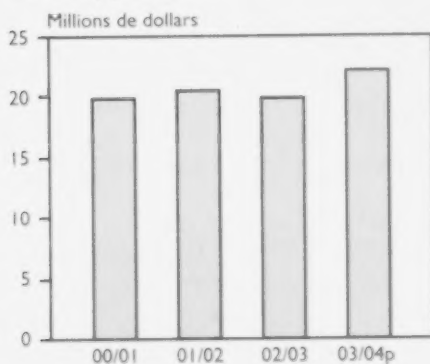
Le gouvernement du Manitoba a fait des investissements stratégiques directs et a accordé des crédits d'impôt sélectifs pour appuyer la recherche et le développement. En 2005, la Province a annoncé qu'elle augmentait d'un tiers le crédit d'impôt pour la recherche et le développement au Manitoba, le faisant passer de 15 à 20 %. Ce crédit d'impôt s'applique aux dépenses admissibles de recherche et développement. La nouvelle augmentation d'un tiers procure aux industries manitobaines du savoir une aide supplémentaire favorisant l'innovation.

L'investissement de 15 millions de dollars effectué en 2004 par le Manitoba et ses partenaires dans le Fonds pour la recherche et l'innovation du Manitoba attirera 21 millions de dollars supplémentaires en financement pour la recherche. Une part considérable de cette somme viendra de l'extérieur de la province.

L'Université du Manitoba est l'une des plus importantes universités de recherche au Canada et elle soutient plus de 20 centres de recherche de pointe. À titre d'exemple, son laboratoire de fabrication de nanosystèmes est doté d'une infrastructure de fabrication de nanosystèmes d'une valeur de plus de sept millions de dollars. Il s'agit de l'un des rares laboratoires au pays ayant une capacité de fabrication à l'échelle microscopique

***L'innovation au
Manitoba : L'Institut
des comptables agréés
a indiqué que le taux
d'enregistrement de
brevets au Manitoba a fait
un bond de 81 % depuis
1999, ce qui constitue la
plus forte hausse
au Canada.***

Dépenses du gouvernement provincial en recherche et développement



p - préliminaire

Source : Statistique Canada

L'Initiative de fabrication avancée fournit quatre millions de dollars aux projets visant à accroître la productivité et la compétitivité du secteur manufacturier manitobain.

ou nanoscopique. Ce type de fabrication permet de produire des capteurs, des piles, des dispositifs de télécommunications et de nombreux autres produits de haute technologie.

La réussite du Manitoba dans le domaine de la recherche et du développement a favorisé la formation d'un noyau d'experts qui attire de nouveaux talents et des investissements. De nouveaux établissements de recherche et de développement continuent de s'implanter dont :

- l'Institute for Advanced Medicine;
- le Centre Richardson de recherche sur les aliments fonctionnels;
- le Centre pour la commercialisation de la biotechnologie médicale.

En outre, le Composite Innovation Centre, qui a ouvert ses portes à la fin de 2004 dans le parc scientifique et technologique SMARTpark de l'Université du Manitoba, soutiendra le développement de nouveaux produits et fera avancer des industries utilisant les composites pour fabriquer leurs produits, surtout dans les domaines de l'aérospatiale, des transports, des biocomposites et de l'infrastructure civile.

L'Initiative de fabrication avancée fournit quatre millions de dollars aux projets visant à accroître la productivité et la compétitivité du secteur manufacturier manitobain. Cette somme comprend 2,2 millions de dollars en financement privé et 1,8 million en financement provincial et fédéral. L'Initiative de fabrication avancée est dirigée par la section manitobaine de l'Alliance des manufacturiers et des exportateurs du Canada.

L'expertise du Manitoba est reconnue à l'extérieur de la province, ce qui mène à d'autres possibilités, comme le protocole d'entente entre le Manitoba et le Minnesota sur la création d'un « couloir biotechnologique ». Ce partenariat stratégique ouvrira des portes sur le plan international en

matière de financement, de fabrication et de marketing, facilitera la commercialisation de nouveaux produits et aidera le Manitoba à être concurrentiel sur le marché mondial des sciences de la vie.

Il est évident que le secteur manitobain des sciences de la vie inspire confiance :

- Biovail Corporation a investi 50 millions de dollars dans son usine de Steinbach, créant ainsi plus de 400 nouveaux emplois. La croissance de Biovail se poursuit et la société a annoncé en février 2005 un autre projet d'expansion, ce qui fera de son usine de Steinbach l'une des unités de fabrication pharmaceutique les plus avancées au monde;
- le projet d'agrandissement, d'une valeur de 32 millions de dollars, des installations de la Cangene Corporation au parc scientifique et technologique SMARTpark permettra à la société d'augmenter sa capacité de fractionnement du plasma. Elle pourra ainsi répondre à la demande future de développement et de production dans le domaine de l'hyperimmunisation.

L'industrie dynamique des technologies de l'information et de la communication (TIC) du Manitoba s'est bien remise du ralentissement mondial qui a touché ce secteur à la fin des années 1990 :

- entre 1999 et la fin de 2003, 244 nouvelles entreprises du domaine des TIC ont ouvert leurs portes au Manitoba, soit une augmentation de 19 %;
- au cours de cette même période, le nombre de personnes employées dans le secteur des TIC a augmenté de 1 600, soit une hausse de 12 %.

Les recommandations du Conseil consultatif économique du premier ministre ont mené à l'élaboration d'une nouvelle approche gouvernementale qui préconise l'achat de produits

L'Université du Manitoba est l'une des plus importantes universités de recherche au Canada et elle soutient plus de 20 centres de recherche de pointe.

**Le Centre pour
la commercialisation de
la biotechnologie médicale
est à la fois un incubateur
d'entreprises de 40 000 pieds
carrés et un laboratoire de
fabrication de prototypes
pour les inventeurs et
les entrepreneurs
du domaine
de la technologie médicale.**

et services des TIC auprès de petites et moyennes entreprises, ce qui aide l'industrie manitobaine des TIC à maximiser son développement sur le plan économique et sur celui de la propriété intellectuelle.

3. Accroître et retenir les investissements

L'investissement local pourrait être rentable pour les fonds de pensions du Manitoba et d'autres fonds institutionnels, et leur procurer des avantages en termes de diversification.

- CONSEIL CONSULTATIF ÉCONOMIQUE DU PREMIER MINISTRE

Les investissements au Manitoba sont non seulement très rentables, mais ils stimulent la croissance économique de la province, créent de nouveaux emplois et multiplient les possibilités pour les Manitobains et les Manitobaines.

La Province poursuit son travail avec le Conseil consultatif économique du premier ministre afin de concevoir des stratégies d'investissement au Manitoba qui génèrent des intérêts comparables à ceux du marché, stimulent les investissements locaux, favorisent le développement économique communautaire et permettent d'approfondir la compréhension des principes d'investissement local.

La province a aidé à l'établissement de fonds de capital-risque privés dont l'effet de levier a permis de réunir des capitaux totalisant environ 155 millions de dollars pour des entreprises manitobaines, œuvrant entre autres dans les secteurs des nouveaux médias, des logiciels, de la biotechnologie, de la fabrication et de l'agriculture à valeur ajoutée.

Le Western Life Sciences Venture Fund a été mis en place pour créer des entreprises spécialisées dans le domaine des techniques biomédicales et pour acquérir ou développer de telles entreprises

lorsqu'elles sont en début de croissance ou à un stade plus avancé. La province a investi cinq millions de dollars dans ce fonds privé de 45 millions de dollars.

Le Manitoba a réussi à attirer dans la province des projets majeurs de développement économique, notamment :

- le parc d'éoliennes à Saint-Léon, qui représente un investissement de 187 millions de dollars et qui sera l'un des plus grands sites éoliens au Canada une fois terminé;
- un projet d'investissement de 10 millions de dollars par Magellan Aerospace pour des technologies stratégiques de fabrication chez Bristol Aerospace, l'une de ses compagnies qui a son siège au Manitoba;
- le Centre Richardson de recherche sur les aliments fonctionnels et nutraceutiques, le résultat d'un investissement de 25 millions de dollars dans un partenariat qui réunit des chercheurs et leurs partenaires de l'industrie venant des secteurs de l'agriculture, des sciences alimentaires, de la nutrition, de la médecine et de la pharmacologie afin de mettre au point de nouveaux produits;
- l'Institut de recherche clinique I.H. Asper, qui représente un investissement de 25 millions de dollars, viendra soutenir la recherche en cardiologie et en médecine vasculaire et permettra de créer 300 nouveaux emplois à l'Hôpital général Saint-Boniface;
- l'Installation de partenariat industriel. Cette installation d'une valeur de 10 millions de dollars située près de l'Institut du biodiagnostic du Conseil national de recherches du Canada (CNRC), aidera les jeunes entreprises du secteur des technologies médicales de pointe ainsi que les entreprises dérivées du CNRC;

La Province investit cinq millions de dollars en partenariat avec plusieurs autres investisseurs privés pour établir le CentreStone Ventures Fund, un fonds de 25 millions de dollars administré par le secteur privé, dont l'objectif est de commercialiser la recherche et le développement dans le domaine des sciences de la vie.

Le parc d'éoliennes à Saint-Léon, qui représente un investissement de 187 millions de dollars, sera l'un des plus grands sites éoliens au Canada une fois terminé.

Le Programme de crédit d'impôt pour l'expansion des entreprises dans les collectivités a été mis en place pour aider les nouvelles entreprises à attirer des fonds et permettre aux investisseurs locaux de participer à la croissance de leur collectivité.

- l'expansion des activités au Manitoba de Convergys Corporation, un fournisseur mondial de services de facturation intégrée et d'assistance à la clientèle, avec un établissement de 37 000 pieds carrés à Brandon;
- l'agrandissement de l'usine de chlorate de sodium de la société Nexen Chemical, située à Brandon. Le projet est maintenant terminé et a coûté 50 millions de dollars.

Le gouvernement manitobain a également mis sur pied le Programme de crédit d'impôt pour l'expansion des entreprises dans les collectivités. Les habitants de la province qui cherchent à investir localement peuvent bénéficier d'un crédit d'impôts provincial équivalant à 30 % sur un investissement annuel maximal de 30 000 \$.

À la demande du premier ministre, le Conseil consultatif économique du premier ministre a organisé en novembre 2004 un sommet économique à l'intention des Autochtones. Ce sommet, intitulé Bridging Opportunities, rassemblait des représentants du secteur des affaires, des travailleurs et des communautés autochtones afin de discuter de stratégies visant l'accroissement des possibilités économiques. Le sommet s'est conclu par l'annonce de la création au Manitoba de la première chambre de commerce autochtone au Canada.

Le Conseil consultatif économique a ensuite formé un comité, à la demande du premier ministre, afin de mettre en œuvre les recommandations faites lors du sommet.

Le Manitoba continue d'accroître et de retenir les investissements dans la province :

- en travaillant avec les chefs de file industriels dans le secteur des sciences de la vie, afin de doubler d'ici 2007 le niveau de capital-risque disponible;

- en prolongeant le crédit d'impôt du Manitoba à l'achat d'actions jusqu'au 30 juin 2011, afin de stimuler le développement de marchés financiers dans la province et d'encourager la population manitobaine à investir dans des entreprises locales;
- en encourageant des investissements de capitaux dans les régions rurales du Manitoba, dans des domaines tels que l'agri-énergie, les biocomposites, la transformation des aliments et l'agriculture à valeur ajoutée;
- en élargissant la portée du crédit d'impôt à l'investissement manufacturier, afin que les bâtiments, le matériel et l'équipement usagés soient considérés comme des biens admissibles et en rendant 20 % de ce crédit remboursable;
- en travaillant avec ses homologues fédéraux, provinciaux, territoriaux et autochtones afin de renforcer la participation autochtone à l'économie;
- en continuant à soutenir les petites entreprises et les emplois qu'elles génèrent, grâce à des initiatives de perfectionnement professionnel, de promotion sectorielle et d'approvisionnement au niveau local et à des réductions d'impôts pour les petites entreprises.

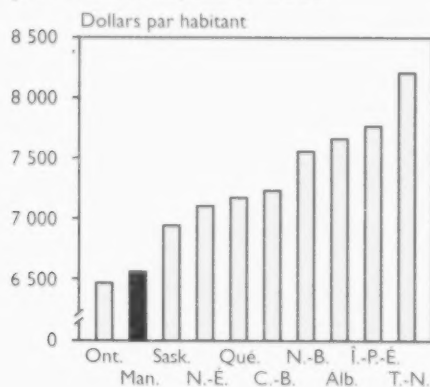
Le gouvernement cherchera l'appui du Conseil de l'investissement local du Conseil consultatif économique du premier ministre et du milieu financier dans son ensemble afin d'inciter les administrateurs de fonds de pension et d'autres fonds institutionnels à investir localement dans les entreprises manitobaines.

À la requête du premier ministre, le Conseil consultatif économique a créé un groupe de travail chargé d'étudier les avantages concurrentiels actuels du Manitoba et de trouver des façons de renforcer davantage la compétitivité de la province.

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Ce sommet, intitulé
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et des communautés
autochtones afin de
discuter de stratégies
visant l'accroissement
des possibilités.

En augmentant la cote de
crédit du Manitoba,
la société Moody's
Investors Service a loué
« la solide croissance
économique de la province,
son équilibre budgétaire et
l'allègement du fardeau de
sa dette. »

Total des dépenses gouvernementales provinciales par habitant, 2004-2005



Source : Rapports financiers provinciaux et
Statistique Canada

4. Un gouvernement à la mesure de nos moyens

Une politique fiscale juste et responsable, une gestion prudente de la dette et des investissements stratégiques dans la santé, l'éducation, les infrastructures et d'autres programmes vitaux sont la marque d'un gouvernement efficace et à la mesure de nos moyens. Le gouvernement du Manitoba a réduit la dette et a introduit le premier plan provincial visant à rembourser l'obligation découlant des régimes de retraite.

Le gouvernement du Manitoba s'emploie à maintenir une approche fiscale équilibrée. Tous les budgets présentés depuis 1999 ont satisfait aux dispositions législatives sur l'équilibre budgétaire. Le Manitoba continue à moderniser la présentation de ses rapports sur les finances publiques et d'ici l'exercice 2007-2008, tous les rapports financiers du gouvernement seront présentés sous forme de budgets sommaires, comme l'a recommandé le vérificateur général du Manitoba.

Le Manitoba a réussi, grâce à sa gestion financière responsable, à faire augmenter sa cote de crédit deux fois depuis 1999. Les cotes de crédit du Manitoba figurent maintenant parmi les meilleures au Canada : la province arrive en deuxième position selon la société Moody's Investors Service, qui lui a attribué la cote Aa2. Cette société a loué « la solide croissance économique de la province, son équilibre budgétaire et l'allègement du fardeau de sa dette ».

Depuis 1999, notre gouvernement :

- a alloué 594 millions de dollars à la réduction de la dette et de l'obligation provinciale découlant des régimes de retraite;
- a réduit les impôts sur le revenu des particuliers de 249 millions de dollars par année;
- a réduit de 142 millions de dollars par année les taxes et impôts fonciers liés à l'éducation,

ce qui comprend une réduction de 69 % de la taxe résidentielle d'aide à l'éducation que le gouvernement s'est engagé à supprimer graduellement;

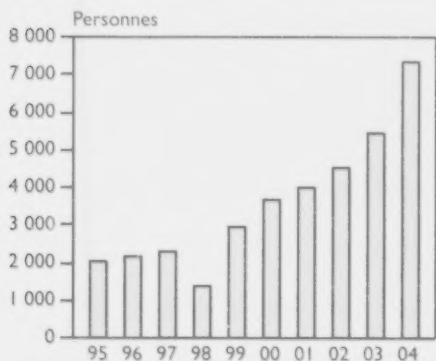
- a fait passer le taux d'imposition des bénéfices des petites entreprises de 8 % à 5 % en 2005, et prévoit de le diminuer à 4,5 % en 2006 et à 4 % en 2007;
- a doublé le plafond des bénéfices admissibles au taux d'imposition préférentiel des petites entreprises, lequel passe de 200 000 \$ à 400 000 \$;
- a entrepris la première diminution du taux d'imposition sur les bénéfices des sociétés depuis la Seconde Guerre mondiale, baissant ainsi ce taux de 17 % à 15 % en 2005 et prévoyant de le fixer à 14,5 % à partir de juillet 2006 et à 14 % dès juillet 2007.

Les réductions d'impôts et de taxes personnels sur le revenu et les biens fonciers représenteront 391 millions de dollars par année d'ici 2006, et celles touchant les entreprises se chiffreront à 129 millions de dollars d'ici 2008.

Le Manitoba a adopté une approche équilibrée. La Province a dépassé ses engagements en matière de réduction de taxes et d'impôts, de remboursement progressif de la dette et de l'obligation provinciale découlant des régimes de retraite, tout en demeurant au deuxième rang des provinces canadiennes pour son faible taux de dépenses par habitant. En même temps, les investissements de la Province ont également permis de répondre aux priorités citées par les Manitobains et Manitobaines comme importantes pour le bien-être de la province.

La Province a dépassé ses engagements en matière de réduction de taxes et d'impôts, de remboursement progressif de la dette et de l'obligation provinciale découlant des régimes de retraite, tout en demeurant au deuxième rang des provinces canadiennes pour son faible taux de dépenses par habitant.

Immigration au Manitoba de 1995 à 2004



Note : Données au 31 octobre de chaque année

Source : Statistique Canada

En 2004, la migration nette au Manitoba (le nombre de personnes venues s'établir au Manitoba moins le nombre de personnes parties vers d'autres provinces ou d'autres pays) s'est chiffrée à 6 485 personnes, soit près de trois fois plus que l'année précédente.

5. Croître grâce à l'immigration

Il est clair que le Manitoba a besoin d'un accroissement de l'immigration pour maintenir l'équilibre de sa population et de sa main-d'œuvre.

— CONSEIL CONSULTATIF ÉCONOMIQUE DU PREMIER MINISTRE

L'immigration contribue de manière importante au maintien du développement économique et au respect de la diversité culturelle. L'immigration renforce les collectivités, fournit de nouvelles compétences et de nouvelles idées, et augmente notre capacité à innover tant sur le marché local que mondial.

En 2004, 7 400 immigrants se sont installés au Manitoba, ce qui représente le niveau d'immigration le plus élevé depuis plus de 25 ans. Le Manitoba est en bonne voie d'atteindre d'ici 2006 son objectif d'accueillir 10 000 immigrants par an.

Le programme Candidats du Manitoba a fait ses preuves et permet maintenant d'attirer 50 % des nouveaux arrivants de la province. De toutes les provinces, c'est le Manitoba qui fait le plus de recrutement d'immigrants au Canada par l'intermédiaire d'un Programme des candidats d'une province. La hausse du nombre d'immigrants qualifiés prêts à contribuer à la croissance, à la prospérité et à la diversité de la province est attribuable aux partenariats avec les communautés et les employeurs, ainsi qu'au recrutement ciblé entrepris par le Manitoba.

Plus de 30 % des candidats sélectionnés par la Province se sont installés dans des villes autres que Winnipeg, appuyant ainsi la croissance et le développement économique de collectivités rurales comme Winkler, Steinbach, Brandon, Morden, Arborg et Thompson. Le programme Candidats du Manitoba pour les gens d'affaires continue d'attirer des immigrants qui lancent des entreprises,

créent des emplois et renforcent le développement économique. En 2004, le Manitoba a approuvé 121 entreprises qui ont apporté un investissement total de 44,4 millions de dollars et le potentiel de créer plus de 250 emplois dans la province.

Depuis 1999, le financement provenant des ressources provinciales et fédérales prévues pour l'établissement des immigrants, et accordé aux services qui aident les nouveaux arrivants à s'adapter au Manitoba, a presque doublé pour atteindre 8 millions de dollars. Ce financement appuie une grande variété de services et de programmes offerts par plus de 55 organismes dans la province.

Plus de 1 200 réfugiés sont arrivés au Manitoba en 2004, ce qui représente environ 17 % de l'immigration totale de la province. Plus de la moitié de ces nouveaux arrivants ont été parrainés par des organismes du secteur privé, un fait qui illustre bien le système d'aide communautaire aux immigrants dont on bénéficie au Manitoba.

Le Manitoba continuera sur sa lancée en matière d'immigration :

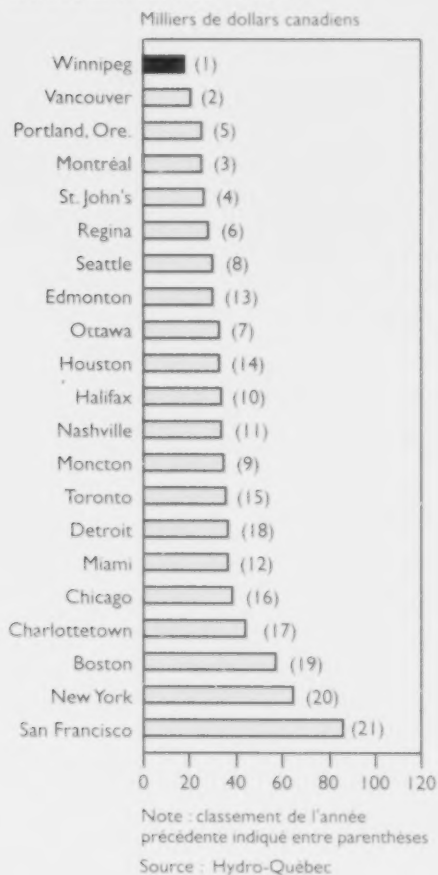
- en attirant des travailleurs et entrepreneurs francophones qualifiés en collaboration avec le gouvernement fédéral et des partenaires communautaires;
- en permettant aux étudiants internationaux qui obtiennent un diplôme dans un des établissements postsecondaires de la province de faire une demande pour devenir résidents permanents du Manitoba;
- en augmentant son appui au Programme de reconnaissance des qualifications, afin de mieux reconnaître les compétences que les immigrants apportent dans la province;
- en faisant passer le total de 2 100 certificats de candidat du Manitoba accordés chaque année aux travailleurs qualifiés et aux gens d'affaires à un chiffre situé entre 2 500 et 3 000;

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Facture mensuelle d'électricité industrielle

Clientèle commerciale et industrielle de taille moyenne

400 000 kilowatt-heures, 2004



- en fournissant des services d'établissement adaptés qui appuient l'immigration, tels que la mise en œuvre de nouveaux modèles de services en matière d'enseignement de l'anglais langue seconde, afin d'intégrer plus rapidement les immigrants dans la population active et dans la communauté;
- en introduisant le Programme à l'intention des jeunes agriculteurs immigrants, pour attirer de jeunes entrepreneurs qui aimeraient lancer une exploitation agricole dans la province.

Créé sur la recommandation du Conseil consultatif économique du premier ministre, le Conseil de l'immigration du Manitoba, qui est constitué de représentants des milieux des affaires et du travail ainsi que des organismes multiculturels, guide le gouvernement et lui propose des recommandations quant à la façon de promouvoir l'immigration et d'attirer et de retenir les immigrants.

6. Tirer parti de notre atout énergétique

Le Manitoba devrait :

- *utiliser son énergie hydroélectrique fiable et bon marché pour attirer de nouvelles entreprises au Manitoba... et permettre la croissance des entreprises qui y sont déjà établies;*
- *réduire sa dépendance par rapport aux importations de pétrole et de gaz naturel, et réduire les émissions de gaz à effet de serre grâce à des mesures qui pourraient comprendre l'utilisation obligatoire de carburants contenant de l'éthanol.*

CONSEIL CONSULTATIF ÉCONOMIQUE DU PREMIER MINISTRE

L'énergie propre est essentielle à la croissance économique future du Manitoba et c'est une préoccupation qui demeure au cœur des travaux du Conseil consultatif économique du

premier ministre. Le Manitoba a relevé le défi en développant de nouvelles sources d'énergie propre, en créant des possibilités de production manufacturière connexes et en mettant l'accent sur l'amélioration de l'efficacité énergétique.

L'énergie propre représente une source d'approvisionnement énergétique qui est durable et fiable tout en étant respectueuse de l'environnement, ce qui a une grande importance pour la population manitobaine. En développant de nouvelles sources d'énergie propre, le Manitoba pourrait doubler la capacité de production actuelle d'Hydro-Manitoba, qui est de plus de 5 000 mégawatts, et générer ainsi jusqu'à 10 milliards de dollars en nouveaux investissements, soit un montant plus important que celui investi dans le plus grand projet d'exploitation des sables bitumineux de l'Alberta. Le potentiel croissant d'exportation de la puissance énergétique de la province rend plus pressante la nécessité de développer les sources d'énergie inexploitées. L'énergie propre du Manitoba représente une solution économique et écologique pour satisfaire à la demande de sources d'énergie stables. L'une des meilleures occasions pour le Canada de réduire les émissions de gaz à effet de serre est de remplacer l'énergie fossile tirée du charbon par l'énergie hydraulique ou d'autres sources d'énergie propre.

Hydro-Manitoba, le service public d'électricité de la province, procure un avantage de taille aux particuliers et aux entreprises du Manitoba en fournissant une énergie peu coûteuse, propre et fiable. Grâce à l'uniformisation des tarifs d'hydroélectricité pour les résidents des régions rurales et du Nord, prescrite par la loi en 2001, tous les Manitobains et Manitobaines bénéficient du même tarif avantageux, où qu'ils habitent.

La sécurité énergétique du Canada dépend de la création d'un réseau d'électricité national qui permettra le transport de l'énergie d'une province à l'autre. Sans réseau national, la capacité d'alimenter

En développant de nouvelles sources d'énergie propre, le Manitoba pourrait doubler la capacité de production actuelle d'Hydro Manitoba, qui est de plus de 5 000 mégawatts, et générer jusqu'à 10 milliards de dollars en nouveaux investissements, soit un montant plus important que celui investi dans le plus grand projet d'exploitation des sables bitumineux de l'Alberta.

Le futur barrage de
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offrira des possibilités
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en électricité canadienne le reste du centre industriel du Canada restera limitée. La Province approuve les efforts déployés à l'échelle nationale pour encourager le transport de l'énergie est-ouest. Par ailleurs, une plus grande capacité de transport de l'énergie est-ouest stimulera le développement de l'énergie éolienne et d'autres sources d'énergie renouvelable actuellement isolées des marchés potentiels.

Le projet de construction du barrage de Wuskwatim, barrage hydroélectrique de nouvelle génération, met en évidence une approche novatrice au développement hydroélectrique. Les Premières nations de la région participent au projet en tant que partenaires intégraux. Elles apportent leur collaboration à la conception du barrage, pour réduire au minimum les retombées environnementales, et prennent part à de vastes programmes de formation et d'emploi. Pour la première fois dans l'histoire du Manitoba, la possession d'une partie du capital de l'entreprise a été offerte à la nation crie Nisichawayasihk. Quant au futur barrage de Conawapa, d'une capacité de 1 250 mégawatts, il offrira des possibilités économiques encore plus importantes, en générant plus de 40 000 années-personnes d'emploi et un flot de revenu appréciable pour les communautés autochtones et les collectivités du Nord. Il s'agit d'une nouvelle approche pour un nouveau siècle dans le domaine de l'hydroélectricité.

L'énergie éolienne constitue également un atout économique important pour le Manitoba. Le premier parc d'éoliennes établi dans la province, à Saint-Léon, attirera 187 millions de dollars d'investissements en immobilisations et générera 10 millions de dollars en revenus pour les propriétaires fonciers de la région. Le Manitoba vise à développer sa capacité de production énergétique éolienne jusqu'à 1 000 mégawatts, sur une période de dix ans, ce qui créera de nouvelles ouvertures économiques importantes pour les régions rurales de la province.

Le Manitoba se taille une place au premier rang en ce qui concerne la production de carburants de remplacement renouvelables et destinés au transport, tel que l'éthanol, le biodiésel et l'hydrogène. La Province soutient le développement de technologies et d'approches viables dans le secteur des transports. Le développement de carburants de remplacement et de méthodes durables de transport fournira des avantages à la population manitobaine, tant sur le plan économique que sur le plan écologique.

Le Manitoba continue à travailler en collaboration avec le gouvernement fédéral, l'industrie et les producteurs afin d'accroître la production et l'utilisation d'éthanol dans la province. Des mesures législatives exigeront que jusqu'à 85 % de toute l'essence vendue dans la province contienne 10 % d'éthanol. Cette obligation créera un marché local de l'éthanol qui consommera environ 160 millions de litres par an. Le Manitoba mène également des recherches dans des domaines susceptibles d'accroître la valeur des co-produits résultant du processus de production de l'éthanol.

Non seulement les biocarburants tels que l'éthanol et le biodiésel contribuent à la réduction des gaz à effet de serre, mais leur production favorise également la diversification des économies rurales et permet à des industries existantes de s'orienter vers la production de nouveaux biens à valeur ajoutée. En collaboration avec un conseil composé de 15 membres et présidé par la Manitoba Canola Growers Association et la Manitoba Trucking Association, le gouvernement du Manitoba examine l'industrie du biodiésel et cherche des moyens d'assurer la viabilité de ce combustible de remplacement au Manitoba.

La mise sur pied d'Efficienne Manitoba va bon train. Grâce à cet organisme, les Manitobains et Manitobaines disposeront d'un guichet unique pour obtenir des renseignements et accéder à des programmes visant les économies d'électricité, de

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**L'Alliance de l'efficacité
énergétique du Canada
a décerné récemment
un prix important
au Manitoba en
reconnaissance de son
rôle de chef de file
national dans
le domaine des
programmes d'efficacité
énergétique.**

En 2004, plus de 20 % des installations de pompes géothermiques du Canada ont eu lieu au Manitoba.

Le Manitoba établit des partenariats avec les Premières nations et d'autres collectivités du Nord afin de mettre au point une nouvelle génération de projets hydroélectriques susceptibles de favoriser le développement dans le Nord et dans l'ensemble de la province.

gaz naturel et d'eau, ainsi que la diminution de la quantité de déchets. Cette initiative s'inspirera du succès du programme Éconergique d'Hydro-Manitoba. Celui-ci a contribué à alléger la facture d'électricité des Manitobains et Manitobaines et ainsi à économiser une quantité d'énergie équivalente à la consommation annuelle de la ville de Selkirk. Efficience Manitoba tirera également profit d'autres programmes qui ont eu du succès. C'est le cas du Concours des collectivités du Manitoba sur le changement climatique, issu d'un partenariat entre le Manitoba et le Canada, qui encourage les collectivités à mettre au point des projets communautaires innovateurs visant à économiser l'énergie et les ressources afin de réduire les émissions de gaz à effet de serre.

En 2004, plus de 20 % des installations de pompes géothermiques du Canada ont eu lieu au Manitoba. Hydro-Manitoba propose des programmes d'encouragement à l'installation de pompes géothermiques dans les nouvelles structures, qu'il s'agisse d'immeubles de bureaux, d'écoles, de stades d'hiver, de chalets ou de résidences. L'utilisation de ces pompes est économique et permet aux Manitobains et Manitobaines d'alléger leurs factures d'électricité.

Cas unique au Canada, le Manitoba a élaboré un plan à long terme visant à créer une industrie de l'hydrogène ayant des applications industrielles profitables. Le Manitoba s'appuie sur un réseau d'experts des secteurs public et privé afin de tracer le chemin pour l'industrie locale de l'hydrogène. Dans la province, les essais d'autobus à hydrogène et le ravitaillement des véhicules hybrides sont des activités qui se profilent à l'horizon.

Prenant appui sur notre avantage en matière d'énergie propre, le Manitoba s'engage à :

- élargir les marchés d'exportation de l'hydroélectricité et travailler en collaboration avec d'autres provinces et territoires afin de mettre en place un réseau national d'énergie propre;

- établir des partenariats avec les Premières nations et d'autres collectivités du Nord afin de mettre au point une nouvelle génération de projets hydroélectriques susceptibles de stimuler le développement dans le Nord et dans l'ensemble de la province;
- produire jusqu'à 1 000 mégawatts de nouvelle énergie éolienne, offrant ainsi aux collectivités des régions rurales l'occasion de développer de nouvelles sources d'énergie et de nouvelles possibilités économiques;
- intensifier l'usage des pompes géothermiques et demeurer un chef de file dans ce domaine;
- progresser dans la réalisation des possibilités offertes par l'hydrogène au Manitoba, en collaboration avec nos partenaires des secteurs public et privé;
- travailler en collaboration avec le gouvernement fédéral, l'industrie et les producteurs afin d'accroître l'utilisation et la production d'éthanol au Manitoba;
- élaborer une stratégie en matière de biodiésel afin de favoriser la production et l'utilisation du carburant biodiésel, et de créer et d'élargir des marchés de produits à valeur ajoutée.

7. Bâtir nos communautés

Le Manitoba devrait élaborer un plan stratégique à long terme qui sera axé sur ses points forts particuliers et qui inspirera confiance, favorisera de nouvelles possibilités et suscitera de l'enthousiasme [...] et nous travaillerons tous de concert dans le but de bâtir le Manitoba.

- CONSEIL CONSULTATIF ÉCONOMIQUE DU PREMIER MINISTRE

Les communautés du Manitoba – urbaines, rurales et du Nord – se distinguent les unes des autres par des coutumes et des traditions qui leur sont

Ce sont les habitants du Manitoba qui constituent son plus grand atout économique. La vision, les aptitudes et la détermination des Manitobains et Manitobaines, ainsi que leur engagement envers leurs collectivités sont l'élément moteur de la croissance économique de notre province et aident le gouvernement à choisir la voie à suivre.

**Le gouvernement du
Manitoba s'engage à
continuer de trouver
des façons de travailler en
collaboration avec
les collectivités afin
de faire avancer
le développement
économique
communautaire.**

**Le campus du collège
Red River sur la rue
Princess accueille
2 000 étudiants dans
le centre-ville de Winnipeg**

propres, des avantages naturels particuliers et des possibilités de croissance distinctes. Ce sont les habitants du Manitoba qui constituent son plus grand atout économique. La vision, les aptitudes et la détermination des Manitobains et Manitobaines, ainsi que leur engagement envers leurs collectivités, sont l'élément moteur de la croissance économique de notre province et aident le gouvernement à choisir la voie à suivre.

Communautés urbaines

Les centres urbains du Manitoba connaissent un regain d'énergie et de vitalité. L'attitude positive des Manitobains et Manitobaines commence à changer la vision qu'ils ont d'eux-mêmes et la manière dont le monde les perçoit.

La Province participe au renouvellement de la capitale du Manitoba en travaillant de concert avec les autres ordres de gouvernement, le secteur privé et les organismes sans but lucratif.

Le nouveau Centre MTS a ouvert ses portes en célébrant des talents manitobains, et il accueillera la soirée de remise des prix Juno 2005.

La vision à l'origine du développement de La Fourche s'est répandue dans le Quartier de la Bourse. La promenade riveraine est maintenant terminée et le secteur privé a saisi l'occasion pour annoncer la construction prochaine de nouveaux logements riverains ainsi que l'ouverture d'un nouvel hôtel à La Fourche.

En 2005, la nouvelle Bibliothèque du Millénaire ouvrira ses portes et sera un lieu d'apprentissage communautaire et un hommage à la culture.

La Province fait avancer de nombreux autres projets qui touchent différentes communautés urbaines :

- Élargissement du canal de dérivation de la rivière Rouge – Ce projet de 660 millions de dollars garantira une protection contre des inondations à récurrence de 700 ans et aura des retombées

économiques de plusieurs centaines de millions de dollars à l'échelle provinciale et nationale.

- Administration aéroportuaire de Winnipeg – Le lancement d'un programme d'immobilisations de 350 millions de dollars permettra d'améliorer les installations aéroportuaires et de construire une nouvelle aérogare principale d'une superficie de 60 000 pieds carrés.
- Musée canadien des droits de la personne – La Province appuie la proposition de création de ce musée national, dont la mission sera d'avancer la cause des droits de la personne, faisant connaître entre autres les difficultés auxquelles font face les Autochtones du Canada.
- Keystone Centre – La Province, la Ville de Brandon et le gouvernement fédéral se sont engagés à affecter 15 millions de dollars à la construction du nouveau centre d'excellence en agriculture et au réaménagement de l'actuel Keystone Centre.
- Nouvel édifice d'Hydro-Manitoba – Le nouveau siège social d'Hydro-Manitoba au centre-ville de Winnipeg, qui s'étendra sur 600 000 pieds carrés, mettra en évidence les plus récentes technologies de construction écologique et fera avancer les stratégies du Manitoba en matière de changement climatique.
- Passage inférieur du boulevard Kenaston et amélioration du système d'épuration des eaux usées – La Province accorde 55 millions de dollars à de nouveaux projets d'immobilisations à Winnipeg.
- Centre pour un transport durable – Le transfert de Toronto à Winnipeg du Centre pour un transport durable permet de réunir des ressources du gouvernement, du secteur privé, de l'industrie et du secteur de l'enseignement supérieur afin de faire du Manitoba un leader mondial dans le domaine du transport durable.

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au réaménagement de
l'actuel Keystone Centre.

**La démarche du
gouvernement provincial
en matière de
revitalisation urbaine se
caractérise par
son engagement
en faveur du
développement
économique
communautaire et
du renouvellement
des centres-villes.**

**Développement économique
communautaire –
Ce programme appuie
les efforts déployés de
façon continue par SEED
Winnipeg, le Jubilee Fund,
Community Ownership
Solutions, ainsi que
les organismes
qui se consacrent
au renouvellement
des quartiers à Winnipeg,
à Brandon et à Thompson.**

- Projets d'infrastructure dans le secteur de la santé – Le plus important projet d'immobilisations en matière de santé dans l'histoire du Manitoba est en cours de réalisation au Centre des sciences de la santé de Winnipeg, tandis que le Centre régional de santé de Brandon est aujourd'hui devenu un établissement à la fine pointe de la technologie offrant des services aux habitants de l'ouest du Manitoba.
- Modèle de développement urbain de Waverley West – Cet ensemble résidentiel qui sera situé sur des terrains appartenant à la Province et à des propriétaires privés répondra à une demande croissante de nouveaux logements à Winnipeg.

Le Manitoba collabore étroitement avec des organismes communautaires et les autres ordres de gouvernement pour appuyer des projets de logements intercalaires et des efforts visant le renouvellement des quartiers.

Au moyen de divers programmes et partenariats provinciaux, les communautés se reconstruisent grâce aux efforts déployés au niveau local.

- Quartiers vivants – Depuis l'an 1999, près de 15 millions de dollars ont été investis dans des initiatives de revitalisation communautaires au sein des quartiers défavorisés de Winnipeg, Brandon et Thompson afin de faire avancer des projets liés aux loisirs, au logement, à l'emploi, à la formation et à la sécurité des habitants. Ce modèle qui est gage de réussite sera élargi pour inclure d'autres quartiers du centre-ville de Winnipeg.
- Centre de mieux-être du quartier North End – Grâce à une subvention d'immobilisations d'un million de dollars accordée par la Province, le quartier North End de Winnipeg se verra doté d'un nouveau centre de mieux-être érigé sur l'ancien site du YM-YWCA. Les habitants de ce quartier auront ainsi accès à une vaste gamme de services récréatifs et de mieux-être.

- Programme de logements à prix abordable – Le Manitoba et le gouvernement fédéral ont consenti à investir plus de 50 millions de dollars dans des projets visant à accroître le nombre de logements abordables dans la province, y compris à Winnipeg, à Brandon et à Thompson.
- Entente de partenariat de Winnipeg – En 2004, le Manitoba a signé cette nouvelle entente et s'est engagé à y consacrer 25 millions de dollars, poursuivant sur la lancée de précédents partenariats tripartites réussis visant le développement de Winnipeg.

Nord du Manitoba

Le gouvernement provincial continue de faire des investissements importants pour améliorer l'infrastructure de transport, fournir des services de santé plus près du domicile des patients et offrir davantage de possibilités de formation professionnelle et d'éducation aux habitants des régions du nord du Manitoba.

D'immenses possibilités s'offrent aux habitants du Nord dans des secteurs tels que l'énergie, l'écotourisme, la pêche et l'exploitation minière et forestière; elles ne nécessitent qu'un investissement stratégique pour se concrétiser. La Stratégie de développement du Nord de la province continuera d'être axée sur le développement économique, les soins de santé, le transport, le logement, l'éducation et la formation professionnelle.

La Stratégie de développement du Nord continue sur la lancée des initiatives qui ont réussi dans le Nord, notamment :

- Collège universitaire du Nord – Le Collège offre une gamme complète de possibilités de formation postsecondaire aux habitants des régions du Nord et aux Autochtones, y compris un nouveau programme d'études pour devenir infirmière sage-femme. Ce programme est destiné aux Autochtones et mène à un diplôme.

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Transmission à large bande
dans le Nord –
Ce programme provincial
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- Formation préalable aux projets de développement hydroélectrique – Hydro-Manitoba, le gouvernement fédéral et la Province du Manitoba consacreront plus de 60 millions de dollars à la formation préalable aux projets hydroélectriques dans le Nord.
- Règlement des revendications concernant les droits de propriété issus des traités – Conformément aux recommandations du Conseil consultatif économique du premier ministre, selon lesquelles il faut clarifier la question de l'assise territoriale, le Manitoba met en œuvre des processus visant à régler les questions touchant les droits de propriété issus des traités. Jusqu'ici, plus de 80 000 acres de terre ont été transférées au gouvernement du Canada pour s'ajouter aux réserves et 680 000 acres supplémentaires sont jugées admissibles pour un transfert futur.
- Fonds de développement économique local – Le Manitoba continue d'accroître la capacité des collectivités du Nord de tirer profit des possibilités de développement économique local.
- Chemins d'hiver – Le financement accordé aux chemins d'hiver a plus que doublé depuis 1999.
- Transmission à large bande dans le Nord – Ce programme provincial permettra d'offrir des services d'Internet à large bande dans un plus grand nombre de collectivités du Nord.
- Service ferroviaire – La Province appuie les efforts déployés par la Keewatin Railway Company, qui appartient à quatre Premières nations, pour acheter la ligne de chemin de fer Sherridon et continuer d'offrir un service ferroviaire aux résidents et aux entreprises.

Régions rurales du Manitoba

Le Manitoba continue de travailler avec les familles agricoles et les municipalités pour investir dans des infrastructures et des méthodes de diversification qui les épauleront à long terme. La province aide également nos communautés rurales et agricoles à relever les défis liés à la crise de l'ESB, au prix peu élevé des produits de base et aux conditions météorologiques exceptionnelles. Les succès déjà obtenus comprennent :

- Taxes scolaires sur les terres agricoles – Pour 2005 et les années subséquentes, la Province a réduit les taxes scolaires sur les terres agricoles de 50 %, au moyen de remboursement de l'ordre de 20 millions de dollars.
- Programmes d'indemnisation face à l'ESB – Le Manitoba offre plus de 180 millions de dollars d'aide aux éleveurs par le truchement de divers programmes, entre autres : les paiements directs aux producteurs, des prêts à faible taux d'intérêt et des mesures incitatives pour accroître l'abattage et le testage des animaux.
- Nouveau vétérinaire en chef – Conscient de l'importance pour l'économie qu'occupent la santé des animaux et la sécurité alimentaire, le Manitoba est devenu la première province au Canada à créer le poste de vétérinaire en chef.
- Assurance-récolte – Les mauvaises conditions climatiques qui ont sévi dans la province en 2004 ont rendu difficiles les activités d'ensemencement et de récolte dans bon nombre de régions de la province. Le Régime d'assurance-récolte du Manitoba a versé plus de 166 millions de dollars aux agriculteurs pour les indemniser de leurs pertes de récoltes. Cette somme comprend près de 25 millions de dollars pour couvrir les demandes d'indemnisation dans le cadre du programme de garantie contre l'humidité excessive – un nouveau programme introduit en l'an 2000.

**Initiative Pont
entre les générations –
Ce programme
a été conçu pour faciliter
le transfert d'exploitations
agricoles à la prochaine
génération. Depuis 2002,
275 prêts totalisant
33,7 millions de dollars
ont été accordés dans
le cadre de ce programme.**

Fiers chez nous –
Les collectivités locales
peuvent présenter
une demande d'aide
financière à frais partagés
visant l'amélioration
des lieux publics,
des façades d'immeubles et
des espaces verts bordant
leur rue principale.

- Fiers chez nous – Les collectivités locales peuvent présenter une demande d'aide financière à frais partagés qui vise l'amélioration des lieux publics, des façades d'immeubles et des espaces verts bordant leur rue principale.
- Programme canadien de stabilisation du revenu agricole – Le Manitoba a assumé un rôle de chef de file et, en collaboration avec le gouvernement fédéral, a consacré 26 millions de dollars à un programme de stabilisation du revenu destiné aux éleveurs de bovins et d'autres ruminants.
- Initiative de développement économique rural – Cette initiative, qui comprend plusieurs programmes, appuie des activités de développement économique dans les collectivités des régions rurales et du Nord.
- Amélioration du Programme de garanties de prêts pour la diversification – Grâce à ce programme, 240 demandeurs ont pu accéder à 250 millions de dollars en fonds privés afin d'entreprendre des activités de diversification, d'innovation ou de production à valeur ajoutée sur leurs exploitations.
- Profitons des possibilités de croissance – Agriculture, Alimentation et Initiatives rurales Manitoba a entrepris une réorganisation interne dans le but d'aider les communautés rurales, les producteurs et les familles agricoles en leur offrant des services améliorés et plus faciles d'accès. En conséquence, le ministère est plus en mesure d'appuyer la production à valeur ajoutée, la croissance économique rurale, la santé des animaux et la sécurité alimentaire.
- Amélioration des services d'eau municipaux – Depuis 1999, le gouvernement provincial a investi 79 millions de dollars dans des projets d'assainissement de l'eau et de traitement des eaux usées dans des collectivités des régions rurales et du nord du Manitoba.

- Investissements dans les soins de santé en milieu rural – Le Manitoba continue de mettre à profit les 157 millions de dollars affectés à de grands projets d'immobilisations, en utilisant de façon accrue les installations rurales et les services chirurgicaux et de diagnostic à l'échelle de la province.

■ Conclusion

Le Plan stratégique de croissance économique du Manitoba est axé sur les recommandations du Conseil consultatif économique du premier ministre. Ce cadre a fait ses preuves et continue d'être le fondement de l'approche manitobaine visant à créer un climat de croissance économique et de compétitivité qui soit durable et équitable.

Parmi les objectifs clés de notre stratégie figure celui de faire connaître au reste du monde les possibilités qu'offre le Manitoba. Rehausser l'image du Manitoba nous permettra de mieux soutenir la concurrence. Par l'intermédiaire du Conseil consultatif économique du premier ministre, le Manitoba travaille avec les entreprises et les groupes communautaires afin de trouver de nouvelles façons de dire au monde entier que le Manitoba est un endroit idéal à visiter et où investir, travailler et vivre.

Notre stratégie renforce le rendement économique du Manitoba et tire parti de nos avantages, notamment une main-d'œuvre instruite, une économie diversifiée et d'abondantes sources d'énergie propre et renouvelable.

Le plan de croissance manitobaine fonctionne bien et il continuera de bénéficier à toute la population de notre province.

Cette stratégie continue de bâtir l'avenir afin que tous les Manitobains et Manitobaines puissent bénéficier de possibilités d'éducation et de réussite dans leur propre province.

Annexe : CONSEIL CONSULTATIF ÉCONOMIQUE DU PREMIER MINISTRE

Coprésidents

M. Bob Silver

M. Robert Ziegler

Western Glove et Winnipeg Free Press

TUAC, section locale 832

Autres représentants

M. Costas Ataliotis

M. Jim August

Mme Lea Baturin

M. Jamie Brown

Mme Anita Campbell

M. David Chartrand

M. Jerry Cianflone

Mme Elaine Cowan

Mme Marielle Decelles-Brentnall

M. Rob Despina

Mme Sylvia Farley

M. Albert Friesen

M. Richard Frost

Mme Chris Hamblin

M. Leonard E. Harapiak

Mme Maria Soares

Mme Joanne C. Keselman

M. Sherman L. Kreiner

M. Chuck Loewen

Mme Florina Marcelino

Mme Irene Merie

M. Allan McLeod

M. Reid Minish

M. Ashish R. Modha

Mme Mariette Mulaire

M. Marcel Moody

Mme Judy Murphy

Mme Roslyn Nugent

M. Peter Olfert

Mme Manisha Pandya

M. Dale Paterson

M. Harvey Secter

M. Ian Smith

M. Guy Sumida

Protos International

Partenariat La Fourche-Nord de l'avenue Portage

Syndicat canadien des communications, de l'énergie et du papier

Frantic Films

Ma-Mow-We-Tak Friendship Centre, Thompson, Manitoba

Fédération des Métis du Manitoba

Hotline International Pizza Systems Ltd.

Anokiwin Consulting Institute

Telecom Options Inc.

Standard Aero Corporate University

Fédération du travail du Manitoba

Genesys Ventures Inc.

Winnipeg Foundation

Commission canadienne des grains

South Winnipeg Technical Institute

Syndicat du vêtement, textile et autres industries,
section locale 459

Université du Manitoba

Consultant en planification stratégique

Online Business Systems

Philippine Times

Partners in the Park

Tribal Council Investments Group

Northern Specialty, Swan River

Mondetta Clothing Company

Conseil de développement économique

des municipalités bilingues du Manitoba

Nation crie Nisichawayasihk, Nelson House

Royal Winnipeg Ballet

Bayridge Lumber & Forest Products, Inc.

Syndicat des employés généraux et

des fonctionnaires du Manitoba

Kendall Wall Pandya Chartered Accountants, Thompson

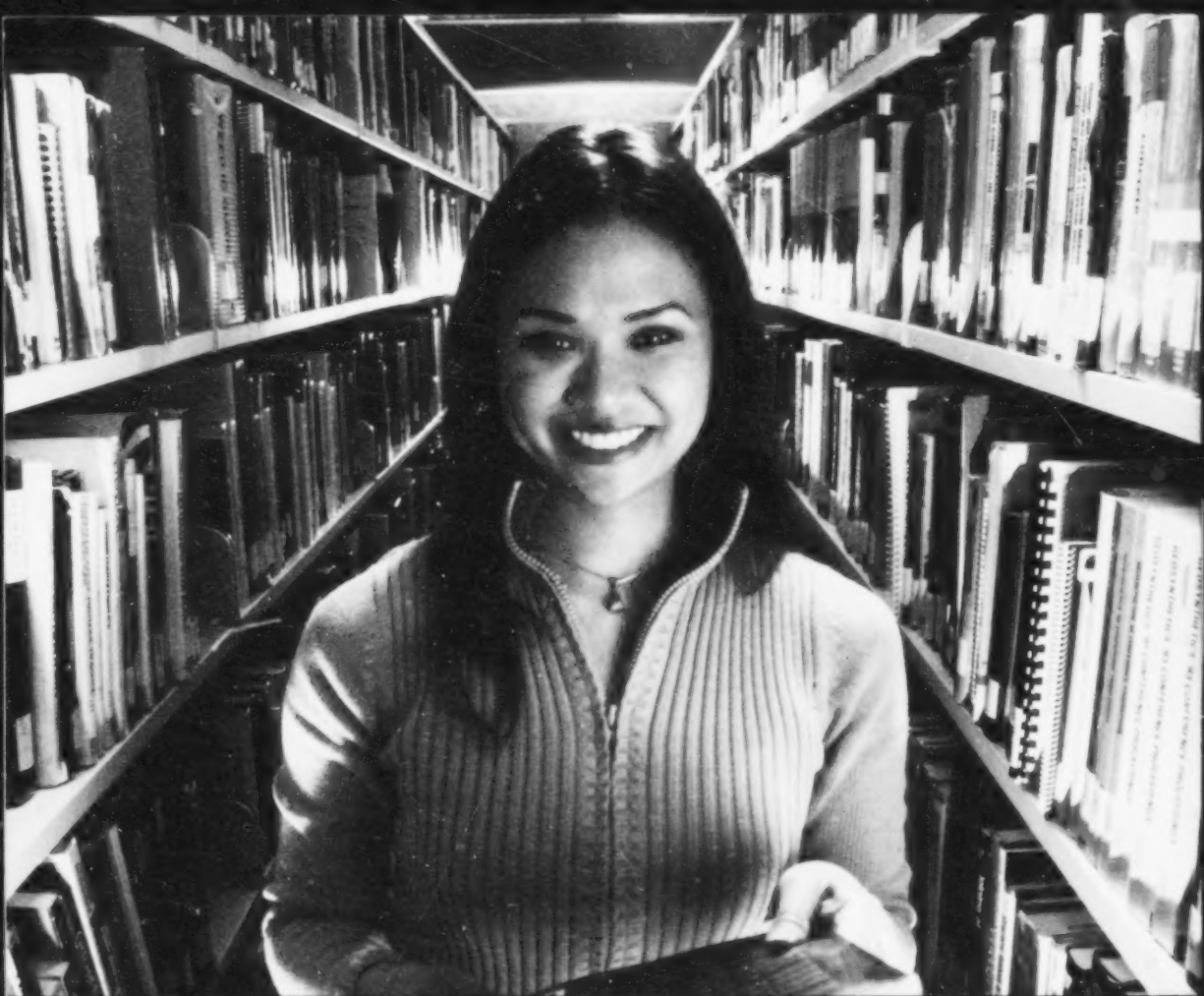
Travailleurs canadiens de l'automobile

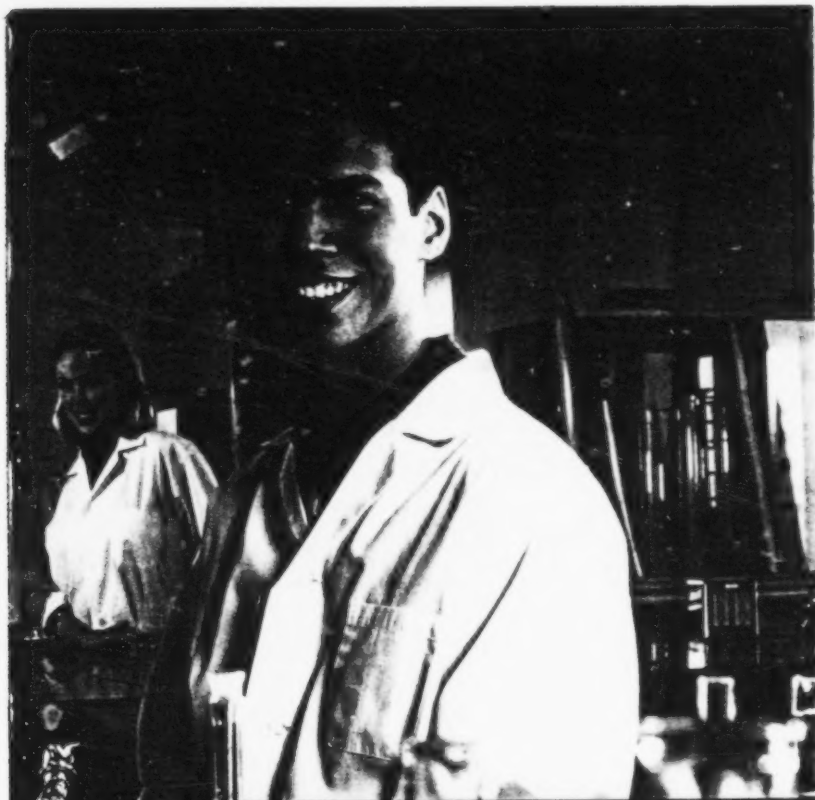
Université du Manitoba

Institut du budiagnostic

Denturologiste, Brandon





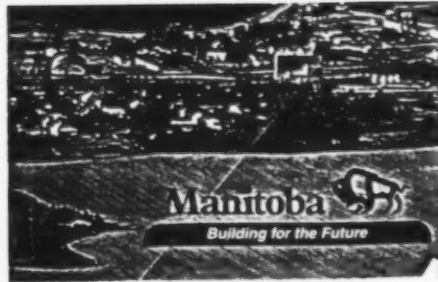
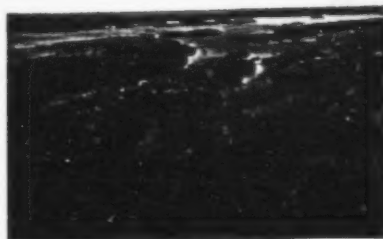


**WHAT MANITOBA'S BUDGET
MEANS TO YOU**



MANITOBA BUDGET 2005

**BALANCING PRIORITIES. BUILDING OPPORTUNITIES.
INVESTING IN TOMORROW.**



STRATEGIC II



BUILDING MANITOBA - IMPROVING COMMUNITY ROADS, WATER AND TRANSIT

Manitoba communities are the foundation of our economy and our enviable quality of life. Budget 2005 provides funding for infrastructure upgrades and enhancements across Manitoba - including a new program to provide a portion of fuel taxes directly to municipalities for roads, water and transit.

- New *Building Manitoba Fund* will invest over \$600 million over five years in local roads, water and transit - including the equivalent of a three cent a litre share of provincial fuel taxes
- First significant funding increase for public transit in 10 years
- \$16 million more in provincial funding for highways bringing this year's investment to \$145 million
- Provincial support to municipalities across Manitoba is increased by 8 per cent on average
- Water treatment plants will be upgraded in Garson/Tyndall, Winnipeg and Gimli
- \$56 million to support Red River Floodway construction - the largest infrastructure project in Winnipeg's history

INVESTMENTS

CONTINUING THE COMMITMENT TO HEALTH CARE



Budget 2005 provides new and ongoing funding to address the health care priorities of Manitobans. Improved access, more procedures, new diagnostic equipment and more health care professionals are all highlights of this year's budget.

- Increase in hip and knee surgeries
- 20 new ambulances
- Expanding surgeries and cancer treatments outside of Winnipeg to provide better access to care closer to home
- \$3.6 million more for healthy living initiatives, including diabetes prevention
- \$9.7 million to expand home care
- Funding to improve operating rooms and health care facilities throughout Manitoba

BUILDING OPPORTUNITIES FOR YOUNG MANITOBBANS



Budget 2005 recognizes the importance of young Manitobans with initiatives that help build their future right here at home.

- Tuition reduction maintained for the fifth year in a row
- More resources for bursaries, scholarships and student loans
- Increased funding for technical vocational training and apprenticeship programs
- More training spaces for medical doctors and health technologists
- Additional \$135 million in capital funding for public schools over three years

STRATEGIC II



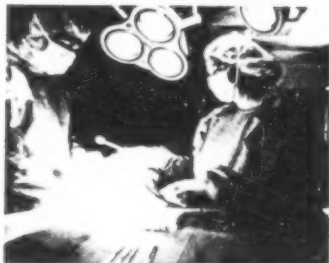
BUILDING MANITOBA - IMPROVING COMMUNITY ROADS, WATER AND TRANSIT

Manitoba communities are the foundation of our economy and our enviable quality of life. Budget 2005 provides funding for infrastructure upgrades and enhancements across Manitoba - including a new program to provide a portion of fuel taxes directly to municipalities for roads, water and transit.

- New *Building Manitoba Fund* will invest over \$600 million over five years in local roads, water and transit - including the equivalent of a three cent a litre share of provincial fuel taxes
- First significant funding increase for public transit in 10 years
- \$16 million more in provincial funding for highways bringing this year's investment to \$145 million
- Provincial support to municipalities across Manitoba is increased by 8 per cent on average
- Water treatment plants will be upgraded in Garson/Tyndall, Winnipeg and Gimli
- \$56 million to support Red River Floodway construction - the largest infrastructure project in Winnipeg's history

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STRATEGIC IN

PUTTING PEOPLE FIRST

Budget 2005 provides funds that will help Manitoba families grow and prosper. This includes new and ongoing programs for families - from the very youngest to the most senior members of our communities.

- Over \$17 million for community living supports for adults living with mental disabilities
- New programs to support parents
- New integrated shelter benefit to help make housing more affordable for low-income Manitobans
- More funding for the arts to further enrich our quality of life



GROWING SAFE AND HEALTHY COMMUNITIES

Safe and healthy communities are a priority for all Manitobans. Budget 2005 provides funding for a variety of programs that will help our communities thrive.

- 40 additional police officers for Winnipeg, Brandon, rural and northern Manitoba
- Expanding the successful Lighthouses program for Manitoba youth
- New resources to protect Manitobans from sexual predators and dangerous offenders
- New resources to combat domestic violence
- New strategy to deal with illicit drug manufacturing

VESTMENTS



PROTECTING FRESH WATER AND MANAGING NATURAL AREAS

Our province has an abundance of fresh water and natural areas. Budget 2005 continues the commitment to protect our water and natural resources now and in the future.

- Increased funding for Water Stewardship - the only dedicated water department in Canada
- \$1.1 million for water quality initiatives
- More parkland and upgraded park facilities
- Supporting actions to clean up and protect Lake Winnipeg
- More support for sustainable forest management
- Green Strategy that addresses climate change, water protection and natural areas

REDUCING TAXES

Budget 2005 continues the commitment to ongoing tax reductions for Manitobans - bringing personal income and property tax savings since 1999 to \$391 million annually.

- Manitobans save an additional \$80 million annually with new personal income and property tax reductions
- New property tax cuts save a typical family with a \$125,000 home approximately \$120 - property tax cuts over the last six years have resulted in savings of \$1,425
- Farmland School Tax Rebate is increased from 33 per cent in 2004 to 50 per cent in 2005, providing Manitoba farmers a yearly saving of \$20 million
- Business taxes fall a further \$54 million - the corporation tax rate will fall to 14.5 per cent in 2006 while the small business rate will drop to 4.5 per cent in 2006



PAYING DOWN DEBT AND BALANCING THE BUDGET

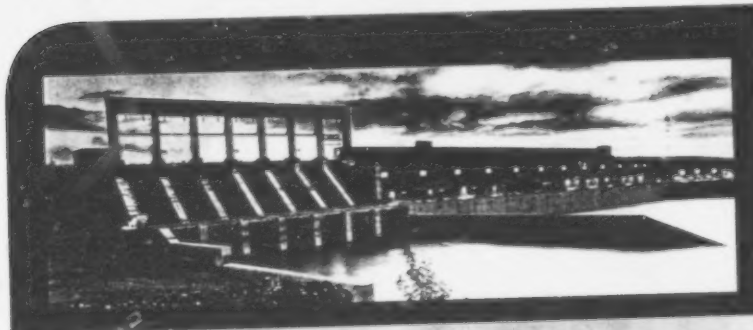
Budget 2005 invests in tomorrow by making government affordable today.

- Budget 2005 is balanced under the province's balanced budget law and the summary financial statements
- Budgeted debt payment is increased from \$96 million last year to \$110 million this year
- Per capita spending remains the 2nd lowest in Canada
- Continuing voluntary reduced work time for civil servants, which saved \$2.4 million in 2004

SAVING FOR THE FUTURE

This year's budget announces one of the largest deposits in history to the province's savings account.

- \$314 million deposited into the rainy day fund
- No budgeted draw from the rainy day fund for the second year in a row
- Increases the debt and pension liability payment to \$110 million - bringing the total payment to \$594 million since 1999/00



INVESTING IN OUR ECONOMY AND KEEPING MANITOBA COMPETITIVE

Through strategic investments and tax reductions, Budget 2005 supports Manitoba's growing economy and helps to sustain our province's competitive edge. More young people are making Manitoba home with net youth migration over 1,100 in 2004.

- Number of jobs has grown on average by 7,200 a year since 1999
- Building Manitoba's economy by developing our clean energy resources of hydroelectricity and wind
- Support for research and innovation - \$1 million for Asper Research Centre and \$1 million for biotechnology commercialization
- Extension of the Manitoba Research and Innovation Fund to 2010
- Enhancement of the R&D tax credit
- Expanding settlement programs to help reach a goal of 10,000 new immigrants
- Continuing work with the Premier's Economic Advisory Council in implementing the province's seven-point action strategy for economic growth

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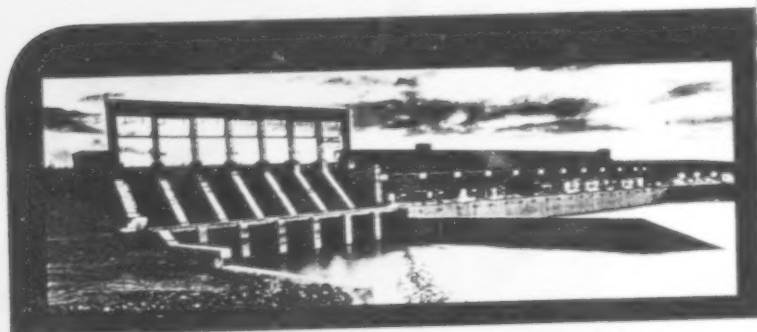
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MESSAGE FROM THE MINISTER



Budget 2005 reflects the growth and optimism Manitobans are experiencing. More young people are moving to our province, housing starts are up, employment and investment have reached record levels and earnings growth is among the best in Canada. This is not a record to rest on, but a record to build on.

Budget 2005 is built on four key pillars:

- Paying down debt
- Making strategic investments
- Keeping our promises on tax reductions
- Saving for our future

Budget 2005 is balanced. It maintains our policy of fiscal responsibility while continuing to grow the economy and keep Manitoba strong. It invests in the priorities of Manitobans: health, education, roads and water. At the same time, we will continue to keep taxes affordable, pay down debt and ensure our future is secure by saving for tomorrow.

By balancing priorities, building opportunities and investing in tomorrow Manitobans can feel confident and optimistic about their future.

To find out more about Budget 2005, please visit our Web site at www.manitoba.ca.

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